Rustenburg Local Municipality
Annual Financial Statements
for the year ended 30 June 2019

General Information

Legal form of entity	Municipality (MFMA) : Category B
Mayoral committee	
Executive Mayor	Khunou, M (Executive Mayor)
	Mabale-Huma, S (Speaker)
	Mataboge, A (Single-Whip)
Councillors	Xatasi, M (MMC: Community Development)
	Babe, N (MMC: Corporate Support Services)
	Kombe, O (MMC: Local Economic Development)
	Kgaladi, L (MMC: Technical and Infrastructure Services)
	Makhaula, V (MMC: Planning and Human Settlement)
	Wolmarans, S (MMC: Integrated Development Planning)
	Molubi, J (MMC: Intergovernmental Relations)
	Mashishi, J (MMC: Roads and Transport)
	Mhlungu, M (MMC: Public Safety)
	Lekoro, B (MMC: Budget and Treasury)
Capacity	High Capacity
Accounting Officer	Komane, E (Acting)
Chief Financial Officer	Ditsele, G
Registered office	Missionary Mpheni House Cnr, Nelson Mandela & Beyers Naude Drives Rustenburg 0299
Postal address	P O Box 16 Rustenburg 0300
Bankers	ABSA BANK (Primary Bank)
Auditors	Auditor-General of South Africa (AGSA)

Index

The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Rustenburg Local Municipality
Annual Financial Statements for the year ended 30 June 2019

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2020, notwithstanding the current liquidity position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements will be examined by the municipality's external auditors and their report will be presented on page TBC.

The annual financial statements set out on pages 4 to 91, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2019.

Mr. Edward Komane
Acting Municipal Manager

Statement of Financial Position as at 30 June 2019

Figures in Rand Thousand	Note(s)	2019	2018 Restated*
Assets			
Current Assets			
Inventories	12	42 538	31 139
Finance lease receivables	8	206	166
Operating lease asset	9	78	121
Receivables from exchange transactions	13&16	102 837	248 853
Receivables from non-exchange transactions	14&16	13 420	49 514
VAT receivable	15	5 316	114 116
Cash and cash equivalents	17	512 364	117 372
		676 759	**561 281**
Non-Current Assets			
Investment property	3	169 589	180 346
Property, plant and equipment	4	8 288 926	8 090 443
Intangible assets	5	34	52
Heritage assets	6	1 369	1 369
Investments	7	1 038	1 198
Finance lease receivables	8	1 844	2 050
		8 462 800	**8 275 458**
Total Assets		**9 139 559**	**8 836 739**
Liabilities			
Current Liabilities			
Other financial liabilities	20	33 805	30 009
Finance lease obligation	18	7 719	6 988
Payables from exchange transactions	22	1 610 981	965 447
Consumer deposits	23	49 364	51 631
Employee benefit obligation	10	6 071	5 501
Unspent conditional grants and receipts	19	298 571	46 426
Provisions	21	17 126	46 632
		2 023 637	**1 152 634**
Non-Current Liabilities			
Other financial liabilities	20	385 782	418 131
Finance lease obligation	18	4 871	12 590
Employee benefit obligation	10	90 640	84 270
Provisions	21	139 265	117 684
		620 558	**632 675**
Total Liabilities		**2 644 195**	**1 785 309**
Net Assets		**6 495 364**	**7 051 430**
Accumulated surplus		6 495 364	7 051 430

* See Note 46

Statement of Financial Performance

Figures in Rand Thousand	Note(s)	2019	2018 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	24	2 927 040	2 605 233
Rental of facilities and equipment	25	20 137	12 474
Interest received from trading activities		282 389	-
Agency services		1 037	19 934
Licences and permits		16 772	10 398
Other income	26	9 959	9 647
Interest received (other)	27	15 501	13 097
Total revenue from exchange transactions		**3 272 835**	**2 670 783**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	28	353 910	330 842
Transfer revenue			
Government grants & subsidies	30	1 156 353	1 158 567
Fines, Penalties and Forfeits		8 046	14 580
Total revenue from non-exchange transactions		**1 518 309**	**1 503 989**
Total revenue		**4 791 144**	**4 174 772**
Expenditure			
Employee related costs	31	(720 419)	(607 225)
Remuneration of councillors	32	(53 751)	(38 650)
Depreciation and amortisation	33	(415 390)	(386 727)
Impairment loss	34	(1 011 986)	(550 557)
Finance costs	35	(60 376)	(60 328)
Lease rentals on operating lease		(7 462)	(9 586)
Repairs and maintenance		(92 071)	(98 279)
Bulk purchases	36	(2 548 211)	(1 900 558)
Contracted services	37	(286 746)	(211 150)
Transfers and Subsidies	29	(25 085)	(107 032)
General Expenses	38	(151 142)	(135 670)
Total expenditure		**(5 372 639)**	**(4 105 762)**
Operating (deficit) surplus		**(581 495)**	**69 010**
Gain on disposal of assets		953	4 101
Fair value adjustments	39	24	16
Actuarial gains	10&21	24 447	3 307
		25 424	**7 424**
(Deficit) surplus for the year		**(556 071)**	**76 434**

* See Note 46

Rustenburg Local Municipality
Annual Financial Statements for the year ended 30 June 2019

Statement of Changes in Net Assets

Figures in Rand Thousand	Accumulated surplus	Total net assets
Opening balance as previously reported	7 032 771	7 032 771
Adjustments		
Correction of errors	(57 778)	(57 778)
Balance at 01 July 2017 restated*	**6 974 993**	**6 974 993**
Changes in net assets		
Surplus for the year - Previously reported	162 695	162 695
Total changes	162 695	162 695
Restated balance before adjustments	7 137 688	7 137 688
Adjustments		
Correction of errors	(86 253)	(86 253)
Balance at 01 July 2018 as restated*	**7 051 435**	**7 051 435**
Changes in net assets		
Surplus / (Deficit) for the year	(556 071)	(556 071)
Total changes	(556 071)	(556 071)
Balance at 30 June 2019	**6 495 364**	**6 495 364**

Note(s)

* See Note 46

Cash Flow Statement

Figures in Rand Thousand	Note(s)	2019	2018 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		3 593 219	3 020 029
Grants		1 156 353	1 158 567
Interest income		297 890	13 097
Other receipts		34 801	34 641
		5 082 263	4 226 334
Payments			
Employee costs		(762 809)	(638 308)
Suppliers		(2 194 158)	(2 193 306)
Other payments		(1 041 162)	(660 294)
		(3 998 129)	(3 491 908)
Net cash flows from operating activities	41	**1 084 134**	**734 426**
Cash flows from investing activities			
Purchase of property, plant and equipment		(600 639)	(592 526)
Proceeds from sale of property, plant and equipment		(4 879)	(3 838)
Net cash flows from investing activities		**(605 518)**	**(596 364)**
Cash flows from financing activities			
Repayment of other financial liabilities		(75 184)	(75 184)
Finance lease payments		(8 631)	(3 596)
Realisation of financial assets		191	476
Net cash flows from financing activities		**(83 624)**	**(78 304)**
Net decrease in cash and cash equivalents		**394 992**	**59 758**
Cash and cash equivalents at the beginning of the year		117 372	57 614
Cash and cash equivalents at the end of the year	17	**512 364**	**117 372**

* See Note 46

Rustenburg Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Figures in Rand Thousand	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance				
Revenue				
Revenue from exchange transactions				
Service charges	**2 822 433**	2 927 040	**104 607**	55
Rental of facilities and equipment	**254**	20 137	**19 883**	55
Interest received from trading activities	**19 569**	282 389	**262 820**	55
Dividends received (trading)	**250 278**	-	**(250 278)**	55
Agency services	**131 944**	1 037	**(130 907)**	55
Licences and permits	**9 653**	16 772	**7 119**	55
Other income	**131 845**	9 959	**(121 886)**	55
Interest received (other)	**6 593**	15 501	**8 908**	55
Total revenue from exchange transactions	**3 372 569**	**3 272 835**	**(99 734)**	
Revenue from non-exchange transactions				
Taxation revenue				
Property rates	**340 075**	353 910	**13 835**	55
Transfer revenue				
Government grants & subsidies	**1 373 453**	1 156 353	**(217 100)**	55
Fines, Penalties and Forfeits	**7 748**	8 046	**298**	55
Total revenue from non-exchange transactions	**1 721 276**	**1 518 309**	**(202 967)**	
Total revenue	**5 093 845**	**4 791 144**	**(302 701)**	
Expenditure				
Employee related costs	**(689 647)**	(720 419)	**(30 772)**	55
Remuneration of councillors	**(56 614)**	(53 751)	**2 863**	55
Depreciation and amortisation	**(410 134)**	(415 390)	**(5 256)**	55
Impairment loss	**(539 436)**	(1 011 986)	**(472 550)**	55
Finance costs	**(29 893)**	(60 376)	**(30 483)**	55
Lease rentals on operating lease	**-**	(7 462)	**(7 462)**	55
Repairs and maintenance	**(244 627)**	(92 071)	**152 556**	55
Bulk purchases	**(2 008 835)**	(2 548 211)	**(539 376)**	55
Contracted Services	**(405 645)**	(286 746)	**118 899**	55
Transfers and Subsidies	**(16 938)**	(25 085)	**(8 147)**	55
General Expenses	**(257 537)**	(151 142)	**106 395**	55
Total expenditure	**(4 659 306)**	**(5 372 639)**	**(713 333)**	
Operating deficit	**434 540**	**(581 495)**	**(1 016 035)**	
Gain on disposal of assets	**64 690**	953	**(63 737)**	55
Fair value adjustments	**-**	24	**24**	55
Actuarial gains	**-**	24 447	**24 447**	55
	64 690	**25 424**	**(39 266)**	
Surplus / (Deficit) before taxation	**499 230**	**(556 071)**	**(1 055 301)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**499 230**	**(556 071)**	**(1 055 301)**	

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and section 122(3) of the Municipal Finance Management Act (Act 56 of 2003) , including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, rounded off to the nearest thousand Rand, which is the municipality's functional currency.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months. The management of the municipality has performed a detailed assessment of the going concern assumption taking into account the current liquidity position, revenue enhancement strategy and cash flow forecast into 2019.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade Receivables

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated based on an assessment of the extent to which trade receivables have defaulted on payments already due, and an assessment of their ability to make payments based on the history of payments made for municipal services over the last twelve months. This was performed per significant trade receivables (balances of R1 million and above) first, then for municipal owned accounts and the remaining balances are assessed per surbub. Trade receivables that are owing for more than 90 days are impaired in full unless there is objective evidence that the payment trend of specific receivables is likely to improve.

Allowance for slow moving, damaged and obsolete stock

An allowance / provision to write down stock to the lower of cost or net realisable value is made. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the statement of financial performance.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 21 - Provisions. Provisions are discounted where the effect of discounting is material using actuarial valuations.

1.3 Significant judgements and sources of estimation uncertainty (continued)

Useful lives

The useful lives of assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and what their conditions will be at that time. It is a subjective estimate based on management's experience.

Post - employment medical benefits

The cost of post - employment medical benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future medical fund contributions increases and mortality rates. Due to the long - term nature of these plans, such estimates are subject to significant uncertainty.

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or
- administrative purposes or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	7 - 80 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

1.4 Investment property (continued)

- All properties held to earn market related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties.
- Land held for a currently undetermined future use. (If the municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation).
- A building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases (this will include the property portfolio rented out by the Housing Board on a commercial basis on behalf of the municipality) and a building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

The following assets do not fall in the ambit of investment property and shall be classified as property, plant and equipment, inventory or non-current assets held for sale, as appropriate:

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale.
- Property being constructed or developed on behalf of third parties.
- Property that is being constructed or developed for future use as investment property.
- Properties that is leased to another entity under a finance lease.
- Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income facilities, etc.
- Property held for strategic purposes or service delivery.
- Property being constructed or developed on behalf of third parties.
- Owner-occupied property, including (among other things) property held for future use as owner-occuped property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner occupied property awaiting disposal.

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment whenever it it possible to reliably differentiate between the different components.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

1.5 Property, plant and equipment (continued)

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. Similarly, land is not depreciated and it is deemed to have an indefinite life.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met.

Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets and commences when an asset is ready for its intended used.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Expected useful life range
Infrastructure Roads and Transport	Straight line	5 - 100
Infrastructure Electricity	Straight line	5 - 50
Infrastructure Water	Straight line	5 - 70
Infrastructure Sewerage	Straight line	5 - 70
Buildings	Straight line	7 - 80
Motor vehicles	Straight line	5 - 15
Office equipment	Straight line	3 - 10
Specialised vehicles	Straight line	7 - 20
Furniture and fixtures	Straight line	5 - 15
Bins and containers	Straight line	10
Other	Straight line	7 - 8
Landfill sites	Straight line	20 - 25
Plant and machinary	Straight line	2 - 15
Emergency equipment	Straight line	3 - 12
Land	Straight line	Indefinite

1.5 Property, plant and equipment (continued)

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and us recognised in the Statement of Financial Performance.

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

The useful life and residual value of assets are assessed annually to determine the appropriateness of management's initial estimate. If the expectations differ from the previous estimates, the change is accounted for as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.6 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management’s best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Accounting Policies

1.6 Intangible assets (continued)

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation method	Expected useful life range
Licenses and franchises	Straight line	2 - 3 years
Computer software, other	Straight line	2 - 3 years

Intangible assets are derecognised:
- on disposal
- when no future economic benefits or service potential are expected from its use or disposal

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.7 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations. Heritage assets have an indefinite useful life

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

Accounting Policies

1.8 Investments in controlled entities

In the municipality’s separate annual financial statements, investments in controlled entities are carried at cost less any accumulated impairment.

The cost of an investment in controlled entity is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the municipality; plus
- any costs directly attributable to the purchase of the controlled entity.

1.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity’s statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the ‘underlying’).
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm’s length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or

1.9 Financial instruments (continued)

- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Gurantees are disclosed in the notes to the financial statements and they are measured at fair value. Companies are granted the option of providing a guarantee instead of a consumer deposit when opening a new consumer account.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;

1.9 Financial instruments (continued)

- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Receivables from Exchange Transactions	Financial asset measured at amortised cost
Receivables from Non-exchange Transactions	Financial asset measured at amortised cost
Cash and Cash Equivalents	Financial asset measured at fair value
Investment	Financial asset measured at fair value
Guarantees	Financial asset measured at fair value

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Consumer Deposits	Financial liability measured at amortised cost
Payables from Exchange and Non-exchange Transactions	Financial liability measured at amortised cost
Long-term Liabilities	Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

1.9 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:
- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

Accounting Policies

1.9 Financial instruments (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

1.9 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

1.9 Financial instruments (continued)

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.10 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality’s net investment in the finance lease.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

1.10 Leases (continued)

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.11 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

The cost of inventories (consumable stores, raw materials, work-in-progress and finished goods) is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each seperately identifiable development. Costs also include a proportion of overhead costs.

Water is regarded as inventory when the municipality purchase water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, and is under the control of the municipality but cannot be measured reliably as there is no cost attached to the water, and it is therefore not recognised in the statement of financial position.

The basis of determining the cost of water purchased and not yet sold at statement of financial position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates.

Water is valued by using the weighted average method, at the lowest of purified cost and net realisable value, in so far as it is stored and controlled in reservoirs at year-end.

1.12 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

1.12 Impairment of cash-generating assets (continued)

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

1.12 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.13 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

1.13 Impairment of non-cash-generating assets (continued)

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset’s gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an “optimised” basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset’s recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Accounting Policies

1.13 Impairment of non-cash-generating assets (continued)

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.14 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

1.14 Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:
- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

1.14 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

1.14 Employee benefits (continued)

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan’s benefit formula. However, if an employee’s service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:
- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:
- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

1.14 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:
- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

1.14 Employee benefits (continued)

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:
- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:
- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.15 Provisions and contingencies

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Accounting Policies

1.15 Provisions and contingencies (continued)

The best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgement of the management of the entity, supplemented by the experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this is unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 44 to anable users to determine the risk involved.

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurance or non-occurence of one or more uncertain future events not wholly within the control of the entity.

A Contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets thay arise from past events and whose existence will be confirmed only by an occurance or non-occurance of one or more uncertain future events not wholly within the control of the entity.

1.16 Capital Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of resources/cash.

Capital commitments are not recognised in the statement of financial position as a liability, but are included in the disclosure notes in the following cases:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.

1.17 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

1.17 Revenue from exchange transactions (continued)

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale.

Rendering of services

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumptions are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Finance income from the sale of housing by way of instalment sales agreements or finance leases is recognised on a time proportion basis.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality’s right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

1.18 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

1.18 Revenue from non-exchange transactions (continued)

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

1.18 Revenue from non-exchange transactions (continued)

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. A composite rating system charging different rate tarrifs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

Collection charges are recognised when such amounts are legally enforceable (property rates). Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rate revenue already recognised are processed or additional rates revenue is recognised.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

The municipality has two types of fines, spot fines and summonses. The municipality recognise the full amount of revenue at the transaction date. Subsequent to initial ecognition and measurement, the municipality assess the collectability of the revenue and recognise an impairment loss.

Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

Goverment Grants and other grants

Equitable share allocation are recognised in revenue at the start of the financial year if no time-based restrictions exist. Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

The muniipality assesses the degree of certainty attached to the flow of future economic benefits or service potential based onthe available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

When government remit grants on a reimbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

If goods in kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.19 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use of sale.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.20 Other income

Other income represents income from activities other than normal Municipal ordinary operations. These are recognised in surplus when they accrue to the Municipality, that is when the right to receive payment is established. Other income is measured as fair value of the consideration receivable.

1.21 Licenses and permits

Licenses and permits are recognised in surplus when the municipality’s right to receive payment has been established. These are measured by applying the relevant gazetted tariff.

1.22 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.23 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003)

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.24 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.25 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity’s supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.26 Budget information

Municipality is typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by the municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01/07/2017 to 30/06/2018.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.27 Related parties

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager

Related party relationships are disclosed regardless if any transactions took place between the parties during the reporting period.

1.28 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and

1.28 Events after reporting date (continued)

- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2019 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 18: Segment Reporting	1 April 2020	The impact of the amendment is not material
GRAP 20: Related Party Disclosures	1 April 2019	The impact of the amendment is not material
GRAP 32: Service Concession Arrangements	1 April 2019	The impact of the amendment is not material
GRAP 108: Statutory Receivables	1 April 2019	The impact of the amendment is not material
GRAP 109: Accounting by Principals and Agents	1 April 2019	The impact of the amendment is not material
GRAP 110: Living and Non-living Resources	1 April 2020	The impact of the amendment is not material
IGRAP 18: Recognition and Derecognition of Land	1 April 2019	The impact of the amendment is not material
IGRAP 19: Liabilities to Pay Levies	1 April 2019	The impact of the amendment is not material
IGRAP 17: Service Concession Arrangements	1 April 2019	The impact of the amendment is not material
GRAP 34: Separate Financial Statements	1 April 2020	The impact of the amendment is not material
GRAP 35: Consolidated Financial Statements	1 April 2020	The impact of the amendment is not material
GRAP 36: Investments in Associates and Joint Ventures	1 April 2020	The impact of the amendment is not material
GRAP 37: Joint Arrangements	1 April 2020	The impact of the amendment is not material
GRAP 38: Disclosure of Interests in Other Entities	1 April 2020	The impact of the amendment is not material
IGRAP 20 Accounting for Adjustments to Revenue	1 April 2019	The impact of the amendment is not material

Notes to the Annual Financial Statements

Figures in Rand Thousand	2019	2018

3. Investment property

	2019			2018		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	180 345	(10 756)	169 589	293 401	(113 055)	180 346

Reconciliation of investment property - 2019

	Opening balance	**Impairments**	**Depreciation**	**Total**
Investment property	180 346	(445)	(10 312)	169 589

Reconciliation of investment property - 2018

	Opening balance	**Disposals**	**Depreciation**	**Total**
Investment property	192 377	(154)	(11 877)	180 346

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposals.

Figures in Rand Thousand

4. Property, plant and equipment

	2019			2018		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	1 424 029	-	1 424 029	1 425 557	-	1 425 557
Buildings	1 454 506	(1 092 045)	362 461	1 454 506	(993 274)	461 232
Plant and machinery	61 953	(44 793)	17 160	48 582	(42 714)	5 868
Furniture and fixtures	20 000	(17 252)	2 748	19 686	(15 935)	3 751
Motor vehicles	151 248	(40 930)	110 318	70 983	(52 461)	18 522
Office equipment	59 352	(32 082)	27 270	57 131	(28 962)	28 169
Bins and containers	1 838	(1 400)	438	1 838	(1 270)	568
Other	2 815	(2 530)	285	2 815	(2 349)	466
Electrical Equipment	27 080	-	27 080	15 524	-	15 524
Emergency Equipment	3 668	(3 467)	201	3 668	(3 336)	332
Specialised vehicles	86 010	(24 934)	61 076	44 055	(31 331)	12 724
Infrastructure - Sewerage	1 016 168	(552 332)	463 836	1 016 168	(534 731)	481 437
Infrastructure - Electricity	1 338 240	(617 512)	720 728	1 332 488	(580 330)	752 158
Infrastructure - Roads and Transport	6 089 447	(2 446 798)	3 642 649	5 666 629	(2 290 195)	3 376 434
Infrastructure - Water	1 312 138	(849 249)	462 889	1 244 774	(787 286)	457 488
Work in progress	965 758	-	965 758	1 050 213	-	1 050 213
Total	**14 014 250**	**(5 725 324)**	**8 288 926**	**13 454 617**	**(5 364 174)**	**8 090 443**

Figures in Rand Thousand 2019 2018

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	1 425 557	-	(1 528)	-	-	-	-	1 424 029
Buildings	461 232	-	-	-	-	(96 112)	(2 659)	362 461
Plant and machinery	5 868	14 981	(4)	-	-	(3 685)	-	17 160
Furniture and fixtures	3 751	314	-	-	-	(1 317)	-	2 748
Motor vehicles	18 522	105 232	(1 954)	-	-	(11 482)	-	110 318
Office equipment	28 169	4 608	(35)	-	-	(5 472)	-	27 270
Bins and containers	568	-	-	-	-	(130)	-	438
Other	466	-	-	-	-	(181)	-	285
Electrical Equipment	15 524	-	-	-	11 556	-	-	27 080
Emergency Equipment	332	-	-	-	-	(131)	-	201
Specialised vehicles	12 724	54 890	(2 203)	-	-	(4 335)	-	61 076
Infrastructure - Sewerage	481 437	9 134	-	-	-	(26 468)	(267)	463 836
Infrastructure - Electricity	752 158	5 752	-	-	-	(37 182)	-	720 728
Infrastructure - Roads and Transport	3 376 434	422 819	-	-	-	(156 604)	-	3 642 649
Infrastructure - Water	457 488	67 364	-	-	-	(61 963)	-	462 889
Work in progress	1 050 213	420 614	-	(505 069)	-	-	-	965 758
	8 090 443	**1 105 708**	**(5 724)**	**(505 069)**	**11 556**	**(405 062)**	**(2 926)**	**8 288 926**

Figures in Rand Thousand 2019 2018

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	1 425 557	-	-	-	-	-	-	1 425 557
Buildings	563 228	-	-	-	-	(96 336)	(5 660)	461 232
Plant and machinery	8 621	476	(40)	-	-	(3 087)	(102)	5 868
Furniture and fixtures	5 116	115	(8)	-	-	(1 397)	(75)	3 751
Motor vehicles	17 373	7 509	-	-	-	(5 991)	(369)	18 522
Office equipment	15 917	24 469	(119)	-	-	(11 851)	(247)	28 169
Bins and containers	1 501	-	(641)	-	-	(292)	-	568
Other	662	-	-	-	-	(196)	-	466
Electrical Equipment	6 777	-	-	-	8 747	-	-	15 524
Emergency Equipment	467	-	-	-	-	(135)	-	332
Specialised vehicles	16 605	-	-	-	-	(3 880)	(1)	12 724
Infrastructure - Sewerage	507 716	-	-	-	-	(26 279)	-	481 437
Infrastructure - Electricity	702 581	85 674	-	-	-	(36 037)	(60)	752 158
Infrastructure - Roads and Transport	3 496 291	14 603	-	-	-	(134 460)	-	3 376 434
Infrastructure - Water	506 346	5 943	-	-	-	(54 801)	-	457 488
Work in progress	574 186	582 247	-	(106 220)	-	-	-	1 050 213
	7 848 944	**721 036**	**(808)**	**(106 220)**	**8 747**	**(374 742)**	**(6 514)**	**8 090 443**

Figures in Rand Thousand	2019	2018

4. Property, plant and equipment (continued)

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Buildings	21 009	24 611
Infrastructure - Electricity	22 136	13 101
nfrastructure - Roads	17 834	24 312
Infrastructure - Sewerage	296	582
Infrastructure - Water	25 043	29 848
Office Equipment	3 151	930
Plant and Machinary	2 602	4 895
	92 071	**98 279**

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Work in progress consists of buildings and infrastructure.

5. Intangible assets

	2019			2018		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software, other	52	(18)	34	3 019	(2 967)	52

Reconciliation of intangible assets - 2019

	Opening balance	**Amortisation**	**Total**
Computer software, other	52	(18)	34

Reconciliation of intangible assets - 2018

	Opening balance	**Amortisation**	**Impairment loss**	**Total**
Computer software, other	530	(108)	(370)	52

Other information

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance.

All of the municipality's Intangible Assets are held under freehold interest and no intangible Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Intangible Assets of the municipalty.

6. Heritage assets

2019	2018

Notes to the Annual Financial Statements

Figures in Rand Thousand	2019	2018

6. Heritage assets (continued)

	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Ox Wagon	150	-	150	150	-	150
Historical statue	1 100	-	1 100	1 100	-	1 100
Jewellery	119	-	119	119	-	119
Total	**1 369**	**-**	**1 369**	**1 369**	**-**	**1 369**

Reconciliation of heritage assets 2019

	Opening balance	Total
Ox Wagon	150	150
Historical statue	1 100	1 100
Jewellery	119	119
	1 369	**1 369**

Reconciliation of heritage assets 2018

	Opening balance	Total
Ox Wagon	150	150
Historical statue	1 100	1 100
Jewellery	119	119
	1 369	**1 369**

7. Investments

Name of company			Carrying amount 2019	Carrying amount 2018
Listed Shares - Sanlam	-	-	1 037	1 197
Unlisted - Municipal Entity	-	-	1	1
			1 038	**1 198**

Detail

Market value of listed investment is R1 037 (2018: R1 197)

Figures in Rand Thousand	2019	2018

8. Finance lease receivables

Present value of minimum lease payments due		
- within one year	206	166
- in second to fifth year inclusive	1 342	1 121
- later than five years	502	929
	2 050	**2 216**

Non-current assets	1 844	2 050
Current assets	206	166
	2 050	**2 216**

Leasing Arrangements:

A finance lease was granted to the entity (RWST) for sewerage plant transferred by the municipality to the RWST. The lease is repayable over twenty years, in half yearly payments at the end of June and December, with the last instalment due on 30 June 2025. The interest rate implicit in the lease is 11%. All leases are denominated in Rand Currency Unit.

Management of the municipality is of the opinion that the carrying value of finance lease receivables recorded at amortised cost in the annual financial statements approximate their fair values.

9. Operating lease asset (liability)

Current assets	78	121

Operating leases are recognised on the straight-line basis as per the requirements of GRAP 13. In respect of non-cancellable operating leases the following assets have been recognised:

Balance at beggining of year	121	169
Operating lease revenue recorded	(43)	(48)
Subtotal	78	121
	78	**121**

Balance at beggining of year	-	(1)
Operating lease payable effected	-	1
	-	**-**

Leasing Arrangements

The Municipality as Lessor:
Operating Leases relate to Property and Equipment owned by the municipality with lease terms of between 1 to 25 years with yearly escalation rates of between 5% - 12%.

The Municipality as a Lessee
Operating Leases relates to Property leased by the municipality with a lease term of 5 years with yearly escalation of 5%.

Amounts receivable under Operating Leases

At the reporting date the following minimum lease payments were receivable under Non-cancellable Operating Leases for Property, Plant and Equipment, which are receivable as follows:

Figures in Rand Thousand	2019	2018

9. Operating lease asset (liability) (continued)

Up to 1 year	28	128
2 to 5 years	110	129
More than 5 years	-	9
Subtotal	138	266
	138	**266**

Total Operating Lease Arrangements

The impact of charging the escalations in Operating Leases on a straight-line basis over the lease through the Statement of Financial Performance is an increase in current year income of R43 (2018: R48)

No restrictions have been imposed by the municipality in terms of the operating lease agreements.

10. Employee benefit obligations

Defined benefit plan

Post-retirement Health Care Benefits Liability

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 30 June 2018 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The members of the Post-employment Health Care Benefit Plan are made up as follows:		
In-service Members (Employees)	1 293	1 325
In-service Non-members (Employees)	434	429
Continuation Members (Retirees, widowers and orphans)	133	127
	1 860	**1 881**

The liability in respect of past		
In-service Members	31 050	29 130
Continuation Members	63 672	58 828
In-service: Non members	1 989	1 813
	96 711	**89 771**

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:
- Bonitas
- Hosmed
- Keyhealth
- LA Health
- Samwumed

Notes to the Annual Financial Statements

Figures in Rand Thousand	2019	2018

10. Employee benefit obligations (continued)

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Present value of the defined benefit obligation	(96 711)	(89 771)
Non-current liabilities	(90 640)	(84 270)
Current liabilities	(6 071)	(5 501)
	(96 711)	**(89 771)**

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	89 771	88 483
Benefits paid	(5 476)	(5 123)
Net (income) / expense recognised in the statement of financial performance	12 416	6 411
	96 711	**89 771**

Net (income) / expense recognised in the statement of financial performance

Current service cost	1 880	2 024
Interest cost	8 046	7 848
Actuarial (gains) / losses	2 490	(3 461)
	12 416	**6 411**

Notes to the Annual Financial Statements

Figures in Rand Thousand	2019	2018

10. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	8.91 %	9.24 %
Health Care Cost Inflation Rate	6.47 %	7.19 %
Net Effective Discount Rate - Health care cost inflation	2.29 %	1.91 %
Maximum Subsidy Inflation Rate	4.48 %	5.02 %
Net Effective Discount Rate - Maximum subsidy inflation rate	4.24 %	4.02 %

The basis on which the discount rate has been determined is as follow:
GRAP 25 stipulates that the choice of this rate should be derived from high quality corporate bond yields. However, where the market in these bonds is not significant, the market yields on government bonds consistent with the estimated term of the post-employment liabilities should be used.

Consequently, a discount rate of 8.91% per annum has been used. The corresponding index linked yield at this term is 3.28%. These rates do not reflect any adjustment for taxation.These rates were deduced from the interest rate data obtained from the Johannesburg Stock Exchange after the market close on 28 June 2019.

These rates are calculated by using a liability-weighted average of the yields for the three components of the liability. Each component's fixed-interest and index-linked yields were taken from the bond yield curve at that component's duration, using an iterative process (because the yield depends on the liability, which in turn depends on the yield).

Expected Retirement Age		
Expected Retirement Age - Female	60	60
Expected Retirement Age - Male	60	60
	-	-

Other assumptions

Amounts for the current and previous four years are as follows

	30 June 2015	30 June 2016	30 June 2017	30 June 2018	30 June 2019
Accrued liability	81 658	89 936	88 483	89 771	96 711
Actuarial Gains / (Losses)	13 704	(4 011)	6 619	3 461	(2 490)
	-	-	-	-	-

Sensitivity Analysis on Current-service and interest cost for the year ending 30 June 2019	Current-service cost	Interest cost	Total
Central Assumptions	1 880	8 046	9 927
Health care inflation (+1%)	2 090	8 486	10 576
Health care inflation (-1%)	1 643	7 514	9 157
Discount rate (+1%)	1 612	8 051	9 663
Discount rate (-1%)	2 216	8 007	10 223
Post-retirement mortality (-1 year)	1 929	8 317	10 246
Average retirement age (-1 year)	2 056	8 377	10 433
Continuation of membership at retirement	1 235	7 045	8 280
	-	-	-

Sensitivity Analysis on the Accrued Liability - Assumptions & Change for the year ending 30 June 2019	In-service	Retired	Total
Central Assumptions	30 039	63 672	96 711
Health care inflation (+1%)	36 356	65 925	102 281
Health care inflation (-1%)	29 429	60 852	90 281

Figures in Rand Thousand 2019 2018

10. Employee benefit obligations (continued)

Discount rate (+1%)	28 861	58 891	87 752
Discount rate (-1%)	38 177	69 196	107 373
Post-retirement mortality (-1 years)	33 921	65 903	99 824
Average retirement age (-1 years)	36 772	63 673	100 445
Continuation of membership at retirement (-10%)	21 333	63 673	85 006
	-	-	-

Expected contributions for the year ending 30 June 2020

Opening balance	96 712
Estimate - benefits to be paid	(6 071)
Estimate - Net (income) / expense	10 278
Estimate Balance - 30 June 2020	100 919

11. Multi-Employer Retirement Benefit Information

All councillors belong to the Pension Fund for Municipal Councillors.

Employees belong to a variety of approved Pension and Provident Funds as described below.

These schemes are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

The Municipal Councillors Fund and the Municipal Gratuity Fund are defined contribution plans. All of these afore-mentioned funds are multi-employer plans. Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

(i) The assets of each fund are held in one portfolio and are not nationally allocated to each of the participating employers.
(ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

Municipal Councillors Pension Fund:
The Municipal Councillors Pension Fund operates as a defined contribution scheme. The contribution rate paid by the members (13,75%) and Council (15,00%) is sufficient to fund the benefits accruing from the fund in the future.

Municipal Joint Pension Fund:
Municipal Joint Pension Fund operates as a defined contribution scheme. The contribution rate paid by the members (7.5%) and Council (18,00% and 22,00% for employees appointed before 01 July 2012) is sufficient to fund the benefits accruing from the fund in the future.

National Fund for Municipal Workers - Pension Fund:
National Fund for Municipal Workers operates as a defined contribution scheme. The contribution rate paid by the members (7.5%) and Council (18,00% and 22,00% for employees appointed before 01 July 2012) is sufficient to fund the benefits accruing from the fund in the future.

Municipal Employees Pension Fund:
The Municipal Employees Pension Fund operates as a defined contribution scheme. The contribution rate paid by the members (7.5%) and Council (18,00% and 22,00% for employees appointed before 01 July 2012) is sufficient to fund the benefits accruing from the fund in the future.

Notes to the Annual Financial Statements

Figures in Rand Thousand	2019	2018

12. Inventories

Consumable stores	17 497	6 036
Water	542	604
Unsold Properties Held for Resale	24 499	24 499
	42 538	**31 139**

Consumables stores consists of maintenance materials and spare parts.

13. Receivables from exchange transactions

Other debtors	13 308	13 308
Consumer debtors - Electricity	85 284	137 690
Consumer debtors - Water	2 745	36 645
Consumer debtors - Sewerage	21	6 825
Consumer debtors - Refuse	19	(459)
Consumer debtors - Other	1 460	54 844
	102 837	**248 853**

Fair value of trade and other receivables from exchange transactions

Trade and other receivables	102 837	248 853

Receivables from exchange transactions past due but not impaired

At 30 June 2019, R11 087 (2018: R 159 476) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

2 months past due	11 087	159 476

Trade and other receivables impaired

As of 30 June 2019, Receivables from exchange transactions of R4 424 480 (2018: R 3 457 184) were impaired and provided for.

14. Receivables from non-exchange transactions

Fines	6 368	6 137
Payments made in advance	-	3 002
Short-term Loans	5 425	5 425
Sundry Debtors	868	4 722
Insurance Claims	694	683
Consumer debtors - Rates	65	29 545
	13 420	**49 514**

The average credit period for Receivables is 30 days. No interest is charged for the first 30 days from the date of the invoice. Thereafter interest is charged at the prime rate, charged by the municipality's banker, plus two percent per annum on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of Receivables.

The management of the municipality is of the opinion that the carrying value of Receivables approximate their fair values.

Figures in Rand Thousand 2019 2018

14. Receivables from non-exchange transactions (continued)

Receivables from non-exchange transactions past due but not impaired

At 30 June 2019, R2 (2018: R13 254) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

	2019	2018
2 months past due	2	13 254

Receivables from non-exchange transactions impaired

The Provision for Impairment on Receivables exists predominantly due to the possibility that these debts will not be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position as financial assets with similar credit risk characteristics and collectively assessed for impairment.

The Provision for Impairment was calculated after grouping all the financial assets of similar nature and risk ratings and by calculating the historical payment ratios for the groupings and by assuming that the future payment ratios would be similar to the historical payment ratios.

The Provision for Impairment was calculated after grouping all the financial assets of similar nature and risk ratings and assessing the recoverability.

In determining the recoverability of a Debtor, the municipality considers any change in the credit quality of the Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

In determining the recoverability of a Rates Assessment Debtor and Receivables from Non-exchange Transactions, the municipality considers any change in the credit quality of the Rates Assessment Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

Furthermore, no Provision for Impairment was calculated on Receivables other than Assessment Rates Debtors as the management is of the opinion that all Receivables are recoverable within normal credit terms.

15. VAT receivable

	2019	2018
VAT	5 316	114 116

VAT is payable on the receipt basis. Only once payment is received from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

16. Consumer debtors disclosure

	2019	2018
Gross balances		
Consumer debtors - Rates	313 801	306 412
Consumer debtors - Electricity	901 622	772 389
Consumer debtors - Water	1 393 240	1 205 307
Consumer debtors - Sewerage	355 928	336 495
Consumer debtors - Refuse	383 091	355 951
Consumer debtors - Other	1 480 128	1 022 586
	4 827 810	**3 999 140**

Figures in Rand Thousand	2019	2018

16. Consumer debtors disclosure (continued)

Less: Allowance for impairment		
Consumer debtors - Rates	(313 736)	(276 867)
Consumer debtors - Electricity	(816 338)	(634 699)
Consumer debtors - Water	(1 390 495)	(1 168 662)
Consumer debtors - Sewerage	(355 907)	(329 670)
Consumer debtors - Refuse	(383 072)	(356 410)
Consumer debtors - Other	(1 478 668)	(967 742)
	(4 738 216)	**(3 734 050)**

Net balance		
Consumer debtors - Rates	65	29 545
Consumer debtors - Electricity	85 284	137 690
Consumer debtors - Water	2 745	36 645
Consumer debtors - Sewerage	21	6 825
Consumer debtors - Refuse	19	(459)
Consumer debtors - Other	1 460	54 844
	89 594	**265 090**

Rates		
Current (0 -30 days)	54	16 291
31 - 60 days	9	7 893
61 - 90 days	2	5 361
	65	**29 545**

Electricity		
Current (0 -30 days)	63 323	73 384
31 - 60 days	11 372	38 520
61 - 90 days	10 589	25 786
	85 284	**137 690**

Water		
Current (0 -30 days)	2 728	7 883
31 - 60 days	14	6 858
61 - 90 days	3	21 904
	2 745	**36 645**

Sewerage		
Current (0 -30 days)	17	658
31 - 60 days	3	2 305
61 - 90 days	1	3 862
	21	**6 825**

Refuse		
Current (0 -30 days)	15	(459)
31 - 60 days	3	-
61 - 90 days	1	-
	19	**(459)**

Notes to the Annual Financial Statements

Figures in Rand Thousand	2019	2018

16. Consumer debtors disclosure (continued)

Other		
Current (0 -30 days)	408	19 102
31 - 60 days	558	20 205
61 - 90 days	494	15 537
	1 460	**54 844**

Summary of debtors by customer classification

Household and Other		
Current (0 -30 days)	134 106	168 201
31 - 60 days	97 796	102 082
61 - 90 days	90 548	91 182
91 - 120 days	3 728 214	3 085 411
	4 050 664	3 446 876
Less: Allowance for impairment	(4 050 497)	(3 286 702)
	167	**160 174**

Industrial/ commercial		
Current (0 -30 days)	226 944	182 695
31 - 60 days	56 196	70 688
61 - 90 days	43 492	45 736
91 - 120 days	334 155	144 184
	660 787	443 303
Less: Allowance for impairment	(571 361)	(347 692)
	89 426	**95 611**

National and provincial government		
Current (0 -30 days)	6 239	10 305
31 - 60 days	4 178	3 241
61 - 90 days	2 757	3 288
91 - 120 days	103 184	92 127
	116 358	108 961
Less: Allowance for impairment	(116 358)	(99 656)
	-	**9 305**

17. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	13	13
Bank balances	382 635	96 079
Short-term deposits	129 716	21 280
	512 364	**117 372**

The management of the municipality is of the opinion that the carrying value of Current Investment Deposits, Bank Balances and Cash and Cash Equivalents recorded at amortised cost in the Annual Financial Statements approximate their fair values.

Notes to the Annual Financial Statements

Figures in Rand Thousand	2019	2018

17. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2019	30 June 2018	30 June 2017	30 June 2019	30 June 2018	30 June 2017
Primary Bank Account - ABSA - Main Branch Rustenburg - Account Number 1220000458	29 712	24 287	14 695	91 033	8 328	21 218
Landfill Bank Account - ABSA - Account Number 4093972008	623	-	-	623	-	-
Housing Bank Account - ABSA - Main Branch Rustenburg - 4054617192	50 283	215	14 669	50 283	215	14 669
Reserves Bank Account - ABSA - Main Branch Rustenburg - 9330627743	100 878	82 571	-	100 878	82 571	-
Deposits Bank Account - ABSA - Main Branch Rustenburg - 9330627793	676	3 452	-	676	3 452	-
Conditional Grants Bank Account - ABSA - Main Branch Rustenburg - 9330627858	115 899	1 518	-	115 899	1 518	-
Traffic Fines Bank Account - ABSA - Main Branch Rustenburg - 4050672659	23 243	-	-	23 243	-	-
Total	**321 314**	**112 043**	**29 364**	**382 635**	**96 084**	**35 887**

Figures in Rand	2019	2018
Absa Call Account	109 255	2 039
Absa	5 119	4 838
Standard Bank	558	531
Kagiso Asset Management	6 153	5 800
Sanlam	8 041	7 482
Absa Guarantee Deposits	590	590
Subtotal	129 716	21 280
	129 716	**21 280**

Guarantees

Guarantees reflected above in the Gaurantee deposit of ABSA to the value of R590 (2018:R590) are ceded in favour of third parties.

Financial Guarantee R2 163
Financial Guarantee - (Local Documented Product - Guarantees) R26 782

Facilities

Leases (Full maintenance lease) R200 000

Notes to the Annual Financial Statements

Figures in Rand Thousand	2019	2018

18. Finance lease obligation

Minimum lease payments due		
- within one year	7 719	6 988
- in second to fifth year inclusive	4 871	12 590
Present value of minimum lease payments	**12 590**	**19 578**

Non-current liabilities	4 871	12 590
Current liabilities	7 719	6 988
	12 590	**19 578**

Finance Lease Liabilities relates to IT Equipment with lease terms of 36 months. The effective interest rates on Finance Leases is 10%. Capitalised Lease Liabilities are secured over the items of IT equipment leased.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets.

19. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
National Government Grants - Department of Water, Agriculture and Forestry (DWAF)	358	358
National Government Grants - Skills Levy	572	572
National Goverment Grants - Muncipal Infrastructure Grant (MIG)	11 016	-
Provincial Government Grants - Department of Sports, Arts and Culture (DSAC Library)	2 699	3 774
Provincial Goverment Grants - Housing Project Account	15 306	15 306
Provincial Government Grants - Department Sports, Arts and Culture (DSAC)	35	35
Provincial Government Grants - COGTA	4 031	2 031
Provincial Government Grants - LG Seta	1 188	957
Local: BPDM: Cleaning of cemeteries/ LED business plans & other	50 013	13
Other: Royal Bafokeng: Western By-pass	4 564	4 564
Other: National Lottery	12	12
Other: Seed Funding	422	422
Other	7 544	7 544
Other: EEDG	-	25
Other: Grant Renovation Old Marikana House	7	7
Other: NSCOOP	89	89
National Government Grants - Public Transport Network Grant (PTNG)	182 810	-
National Government Grants - Municipal Water Infrastructure Grant (MWIG)	12 462	10 274
Provincial Government Grants - DPLG Housing	443	443
National Government Grants - Neighbourhood Development Programme (NDP)	5 000	-
	298 571	**46 426**

See note 30 for reconciliation of grants from National/Provincial Government.

Notes to the Annual Financial Statements

Figures in Rand Thousand	2019	2018

20. Other financial liabilities

At amortised cost		
INCA The loan is repayable in equal installments of R4 002 at the end of February and August every year, with the final installment payable 29 February 2024. The loan bears interest at 13.82%.	29 517	33 402
ABSA Loan 30-1798-1971 The loan is repayable in installments of R1 448 payable at the end of May and November, with the final installment payable 31 May 2020. The loan bears interest at 11.73%.	3 230	5 553
ABSA Loan 30-1798-2317 The loan is repayable in installments of R1 456 payable at the end of May and November, with the final installment payable 30/06/2021. The loan bears interest at 11.95%.	7 789	8 220
ABSA Loan 30-2236-2516 The loan is repayable in installments of R1 489 payable at the end of May and November, with the final installment payable 30/06/2022. The loan bears interest at 11.95%.	7 373	9 302
DBSA Loan 61007193 The loan is repayble in 6 monthly installments in December and June, with the redemption date of 2 July 2029. The loan bears interest at 9.90%.	244 663	258 509
DBSA Loan 61007264 The loan is repayable in 6 monthly installments in December and June, with the redemption date of 28 June 2030. The loan bears interest at 10.07%.	127 015	133 154
	419 587	**448 140**
Total other financial liabilities	**419 587**	**448 140**

The management of the municipality is of the opinion that the carrying value of Long-term Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair value.

Non-current liabilities		
At amortised cost	385 782	418 131
Current liabilities		
At amortised cost	33 805	30 009

Figures in Rand Thousand 2019 2018

21. Provisions

Reconciliation of provisions - 2019

	Opening Balance	Additions	Utilised during the year	Total
Environmental rehabilitation	116 157	11 777	-	127 934
Long-service Awards	48 159	4 554	(24 256)	28 457
	164 316	**16 331**	**(24 256)**	**156 391**

Reconciliation of provisions - 2018

	Opening Balance	Additions	Utilised during the year	Total
Environmental rehabilitation	106 727	9 430	-	116 157
Long-service Awards	43 270	7 970	(3 081)	48 159
	149 997	**17 400**	**(3 081)**	**164 316**

	2019	2018
Non-current liabilities	139 265	117 684
Current liabilities	17 126	46 632
	156 391	**164 316**

Environmental rehabilitation provision

In terms of the licensing of the landfill refuse sites, the municipality will incur licensing and rehabilitation costs of R159 320 to restore the site at the end of its useful life, estimated to be 30 years for the Waterval landfill site. An inflation rate of 4.30% was used in determining the future value. Provision has been made for the net present value of this cost, using the average cost of borrowing interest rate. A discount rate of 9.68% was used in determining the Net Present Value.

Long Service Awards

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable to employees after 10 years of continuous service, and every 5 years of continuous service from 10 years of service to 45 years of service. The provision is an estimate of the long service based on historical staff turnover. Additional cash/gifts are awarded to employees for levels of past service per the LSA policy.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried at 30 June 2019 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The principal assumptions used for the purposes of the actuarial valuations were as follows for the year ended 30 June 2019:
Discount rate - 7.72%
General salary inflation - 5.33%
Net discount rate - 2.27%

The principal assumptions used for the purposes of the actuarial valuations were as follows for the year ended 30 June 2018:
Discount rate - 8.65%
General salary inflation - 6.23%
Net discount rate - 2.28%

Figures in Rand Thousand | 2019 | 2018

21. Provisions (continued)

The basis on which the discount rate has been determined is as follows:
GRAP 25 stipulates that the choice of this rate should be derived from high quality corporate bond yields. However, where the market in these bonds is not significant, the market yields on government bonds consistent with the estimated term of the post-employment liabilities should be used.

Consequently, a discount rate of 7.72% per annum has been used. The first step in the derivation of this yield is to calculate the liability-weighted average of the yields corresponding to the actual terms until payment of long service awards, for each employee. The 7.72% is then derived as the liability-weighted average of the yields derived in the first step. The corresponding liability-weighted index-linked yield is 2.77%. These rates do not reflect any adjustment for taxation. These rates were deduced from the interest rate data obtained from the JSE after the market close on 28 June 2019.

	2019	2018
The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Expected Retirement Age - Females	60	60
Expected Retirement Age - Males	60	60
Movements in the present value of the Defined Benefit Obligation were as follows		
Balance at the beginning of the year	48 159	43 271
Current service cost	4 850	4 317
Interest cost	4 055	3 498
Actuarial losses / (gains)	(26 937)	154
Employer Benefit Vesting	(1 670)	(3 081)
Present Value of Fund Obligation at the end of the Year	**28 457**	**48 159**
The amount recognised in the Statement of Financial Position are as follows:		
Present value of unfunded obligations	28 457	48 159
The amount recognised in the Statement of Financial Performance are as follows:		
Current service cost	4 850	4 317
Interest cost	4 055	3 498
Actuarial losses / (gains)	(26 937)	154
Post-retirement Benefit included in Profit and Loss	**(18 032)**	**7 969**

History of liabilities	30 June 2015	30 June 2016	30 June 2017	30 June 2018	30 June 2019
Accrued Liability	37 199	41 015	43 271	48 159	28 457
Actuarial Gains / (Losses)	(1 307)	(418)	1 809	(154)	26 937
	-	-	-	-	-

Sensitivity Analysis on Current-service and Interest Costs for the year ending 30 June 2019 - Assumptions & Change	Current-service cost	Interest cost	Total
General assumptions	4 850	4 055	8 905
General salary inflation (+1%)	5 273	4 351	9 623
General salary inflation (-1%)	4 473	3 788	8 261
Discount rate (+1%)	4 508	4 219	8 727
Discount rate (-1%)	5 239	3 859	9 098
Average retirement age (-2yrs)	4 447	3 636	8 083
Average retirement age (+2 yrs)	5 218	4 409	9 627
Withdrawal rates (-50%)	6 403	4 953	11 355
	-	-	-

Figures in Rand Thousand

21. Provisions (continued)

Sensitivity Analysis on the Unfunded Accrued Liability (in R millions) for the year ended 30 June 2019 - Assumptions & Change	Liability
Central assumptions	28 457
General salary inflation (+1%)	29 444
General salary inflation (-1%)	27 530
Discount rate (+1%)	27 462
Discount rate (-1%)	29 534
Average retirement age (-2 yrs)	25 588
Average retirement age (+2 yrs)	31 840
Withdrawal rates	43 619
	-

22. Payables from exchange transactions

	2019	2018
Trade payables	759 338	630 977
Payments received in advanced	121 714	107 873
Accrued leave pay	46 565	42 890
Accrued bonus	13 021	17 416
Unallocated Deposits	566 025	79 444
Other Creditors	32 766	32 041
Retentions	72 693	52 369
Sundry Deposits	(1 141)	2 437
	1 610 981	**965 447**

Staff leave accrue to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

Payments received in advance are municipal debtors who have credit balances at the reporting date. This is due to various reasons which include clearances paid on properties awaiting transfer at the deeds office. The breakdown per service is as follows:

Electricty	21 961
Water	15 476
Refuse	2 876
Sewerage and Sanitation	1 996
Other	75 868
Property Rates	3 537
Total	121 714

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA, except when the liability is disputed. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is chanrged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has policies in place to ensure that all payables are paid within the credit timeframe.

The management of the municipality is of the opinion that the carrying value of payables from exchange transactions approximate their fair values.

23. Consumer deposits

	2019	2018
Electricity and Water	49 364	51 631

Figures in Rand Thousand	2019	2018

23. Consumer deposits (continued)

Guarantees		
Guarantees held in lieu of electricity and water	29 421	28 846

Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account.

No interest is paid on Consumer Deposits held.

The management of the municipality is of the opinion that the carrying value of Consumer Deposits approximate their fair value.

24. Service charges

Sale of electricity	2 190 288	1 974 224
Sale of water	474 480	389 701
Sewerage and sanitation charges	132 850	117 047
Refuse removal	129 422	124 261
	2 927 040	**2 605 233**

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

25. Rental of facilities and equipment

Premises		
Rental Revenue from Land	2 933	3 402
Rental Revenue from Halls	351	1 924
Rental Revenue from Buildings	3 710	4 431
	6 994	**9 757**
Facilities and equipment		
Rental Revenue from Amenities	84	2 003
Rental Revenue from Other Facilities	13 059	714
	13 143	**2 717**
	20 137	**12 474**

26. Other income

Building Plan Fees	816	608
Bank charges recovered	-	133
Application for clearance certificate	322	689
Service connections	1 035	1 735
Reconnection fees	-	2 364
Cemetery Fees	782	864
Advertising Signs	1 567	1 594
Legal Cost Recovered	-	1
Photocopies	50	84
Tender Documents	678	965
Town Planning Fees	37	-
Surplus cash	11	-
Sundry Income	4 358	412
Swimming pool fees	303	198
	9 959	**9 647**

Notes to the Annual Financial Statements

Figures in Rand Thousand	2019	2018

27. Interest received - other

Interest revenue		
Investments	15 261	12 842
Finance leases	240	255
	15 501	**13 097**

28. Property rates

Rates received

Residential	149 838	142 748
Commercial	177 873	156 072
State	20 940	18 758
Agriculture	5 259	13 264
	353 910	**330 842**

Valuations

Property Rates are levied on the value of land and improvements, which valuation is performed every four years. The last valuation came into effect on 1 July 2014. Supplementary valuations are processed on a monthly basis to take into account changes to individual property values due to alterations and subdivisions.

Interim valuations are processed on an continuous basis to take into account changes in individual property values due to alterations and subdivisions.

Rates are levied monthly on property owners and are payable at the end of each month. Interest is levied at a rate determined by council on outstanding rates amounts.

29. Grants and subsidies paid

Other subsidies		
Community Projects	1 985	71 051
Rustenburg Water Services Trust	23 100	35 981
	25 085	**107 032**

Figures in Rand Thousand | 2019 | 2018

30. Government grants and subsidies

	2019	2018
Operating grants		
Equitable share	605 006	526 072
National - Financial Management Grant	1 700	1 700
Provincial - Seta: EPWP training	3 545	4 249
	610 251	**532 021**
Capital grants		
National: Municipal Infrastructure Grant (MIG)	251 570	239 841
National: Public Transport Network Grant (PTNG)	213 819	314 156
Provincial: Department of Sports, Arts and Culture (DSAC Library)	2 437	566
National: Municipal Water Infrastructure Grant (MWIG)	68 238	71 983
National: Integrated National Electrification Program	10 038	-
	546 102	**626 546**
	1 156 353	**1 158 567**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to community members. In terms of the allocation made by DPLG the funds are also utilised to enable the municipality to execute its functions as the local authority.

National: DWAF

Balance unspent at beginning of year	358	358

Conditions still to be met - remain liabilities (see note 19).

National: Skills Levy

Balance unspent at beginning of year	572	572

Conditions still to be met - remain liabilities (see note 19).

National: Financial Management Grant (FMG Grant)

Current-year receipts	1 700	1 700
Conditions met - transferred to revenue	(1 700)	(1 700)
	-	-

Conditions still to be met - remain liabilities (see note 19).

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial management reforms required by the Municipal Finance Management Act (MFMA),2003.

National: Municipal Infrastructure Grant (MIG Funds)

Balance unspent at beginning of year	-	405
Current-year receipts	262 586	239 436
Conditions met - transferred to revenue	(251 570)	(239 841)
	11 016	-

Conditions still to be met - remain liabilities (see note 19).

Figures in Rand Thousand | 2019 | 2018

30. Government grants and subsidies (continued)

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions, to provide for new, rehabilitation and upgrading of municipal infrastructure.

Provincial: Departmentof Sports, Arts and Culture Grant (DSAC Library)

	2019	2018
Balance unspent at beginning of year	3 774	2 940
Current-year receipts	1 362	1 400
Conditions met - transferred to revenue	(2 437)	(566)
	2 699	**3 774**

Conditions still to be met - remain liabilities (see note 19).

The grant was received to transform rural and urban community library infrastructure, facilities and services (primarily targeting previously disadvantaged communities) through a recapitalised programme at provincial level in support of local government and national initiatives.

Provincial: Housing Project Account

	2019	2018
Balance unspent at beginning of year	15 306	15 306

Conditions still to be met - remain liabilities (see note 19).

Provincial: Department Sports, Arts and Culture (DSAC)

	2019	2018
Balance unspent at beginning of year	35	35

Conditions still to be met - remain liabilities (see note 19).

Provincial: COGTA

	2019	2018
Balance unspent at beginning of year	2 031	2 031
Current-year receipts	2 000	-
	4 031	**2 031**

Conditions still to be met - remain liabilities (see note 19).

The grant was utilised for the maintenance of roads in the jurisdiction area of the municipality.

Provincial: Expanded Public Works Programme Integrated Grant (EPWP)

	2019	2018
Current-year receipts	3 545	4 249
Conditions met - transferred to revenue	(3 545)	(4 249)
	-	**-**

Conditions still to be met - remain liabilities (see note 19).

The grant was used to incentivise provincial departments to increase job creation efforts in infrastructure, enviroment and culture programmes through the use of labour -intensive methods and the expansion of job creation in line with the EPWP guidelines.

Provincial: LG Seta

	2019	2018
Balance unspent at beginning of year	957	162
Current-year receipts	231	795

Figures in Rand Thousand	2019	2018

30. Government grants and subsidies (continued)

	1 188	**957**

Conditions still to be met - remain liabilities (see note 19).

This grant was utilised to construct a training centre for pupils of the fire services division.

Local: BPDM: Cleaning of cemeteries / LED Business Plans and other

Balance unspent at beginning of year	13	13
Current-year receipts	50 000	-
	50 013	**13**

Conditions still to be met - remain liabilities (see note 19).

This grant is received from district municipalities for the cleaning of cemetries, LED business plans and various other initiatives.

Other: Royal Bafokeng: Western By-pass

Balance unspent at beginning of year	4 564	4 564

Conditions still to be met - remain liabilities (see note 19).

This grant was received with regards to the Western Bypass at the Royal Bafokeng Stadium, in order to ensure that the bypass made the stadium more accessible during the FIFA 2010 Soccer World Cup.

Other: National Lottery

Balance unspent at beginning of year	12	12

Conditions still to be met - remain liabilities (see note 19).

This grant was received from National Lottery for the upgrading and maintening of hospice facilities.

Other: Seed Funding

Balance unspent at beginning of year	422	422

Conditions still to be met - remain liabilities (see note 19).

This grant was utilised for the maintenance of roads in the jurisdiction area of the municipality. No funds have been withheld.

Other

Balance unspent at beginning of year	7 544	7 544

Conditions still to be met - remain liabilities (see note 19).

Money received from local business in the promoting to various business ventures.

Other: Energy Efficiency and Demand-Side Management Grant

Balance unspent at beginning of year	25	25
Roll over not allowed	(25)	-
	-	**25**

Conditions still to be met - remain liabilities (see note 19).

Notes to the Annual Financial Statements

Figures in Rand Thousand	2019	2018

30. Government grants and subsidies (continued)

The grant funds selected municipalities to implement energy-efficiency projects, with a focus on public lighting and energy-efficient municipal infrastructure.

National: Integrated National Electrification Programme (INEP)

Current-year receipts	10 038	-
Conditions met - transferred to revenue	(10 038)	-
	-	**-**

Conditions still to be met - remain liabilities (see note 19).

Other: Grant Renovation Old Marikana House

Balance unspent at beginning of year	7	7

Conditions still to be met - remain liabilities (see note 19).

Other: NSCOOP

Balance unspent at beginning of year	89	89

Conditions still to be met - remain liabilities (see note 19).

National: Public Transport Network Grant (PTNG)

Current-year receipts	396 629	314 156
Conditions met - transferred to revenue	(213 819)	(314 156)
	182 810	**-**

Conditions still to be met - remain liabilities (see note 19).

National: MWIG

Balance unspent at beginning of year	10 274	17 257
Current-year receipts	80 700	65 000
Conditions met - transferred to revenue	(68 238)	(71 983)
Roll over not allowed	(10 274)	-
	12 462	**10 274**

Conditions still to be met - remain liabilities (see note 19).

Provincial: DPLG Housing

Balance unspent at beginning of year	443	443

Conditions still to be met - remain liabilities (see note 19).

National: Neighbourhood Development Programme (NDP)

Current-year receipts	5 000	-

Conditions still to be met - remain liabilities (see note 19).

Figures in Rand Thousand	2019	2018

31. Employee related costs

Basic	428 879	374 884
Bonus	29 831	30 307
Medical aid - company contributions	39 954	37 246
UIF	3 485	3 147
WCA	3 484	-
SDL	7 402	5 259
Group Life	174	254
Pension	76 430	70 623
Industrial Council Levy	7 312	177
Other long-term employee benefits: Long-service awards	3 180	1 236
Travel, Motor Car, Accommodation, Subsistance and Other Allowances	28 186	24 626
Housing benefits and allowances	2 723	1 929
Overtime payment	49 378	32 947
Other Employee Cost	30 731	15 125
	711 149	**597 760**

Remuneration of Municipal Manager

Annual Remuneration	2 044	1 678
Acting Allowance	63	-
Contributions to UIF, Medical and Pension Funds	123	118
	2 230	**1 796**

Remuneration of Chief Finance Officer

Annual Remuneration	473	1 055
Contributions to UIF, Medical and Pension Funds	16	12
Acting Allowances	66	37
	555	**1 104**

Remuneration of Director: Community Development

Annual Remuneration	1 366	559
Car Allowance	96	40
Acting Allowances	-	84
Contributions to UIF, Medical and Pension Funds	84	30
	1 546	**713**

Remuneration of Director: Corporate Services

Annual Remuneration	267	920
Acting Allowance	161	66
Contributions to UIF, Medical and Pension Funds	14	51
	442	**1 037**

Remuneration of Director: Local Economic Development

Annual Remuneration	1 483	890
Car Allowance	112	126
Acting Allowance	28	12
Contributions to UIF, Medical and Pension Funds	9	18
	1 632	**1 046**

Remuneration of Director: Planning and Human Settlements

Notes to the Annual Financial Statements

Figures in Rand Thousand	2019	2018

31. Employee related costs (continued)

Annual Remuneration	1 386	700
Acting Allowance	-	73
Contributions to UIF, Medical and Pension Funds	247	42
	1 633	**815**

Remuneration of Director: Technical and Infrastructure Services

Annual Remuneration	744	683
Contributions to UIF, Medical and Pension Funds	19	102
Acting Allowance	92	106
	855	**891**

Remuneration of Director: Public Safety

Annual Remuneration	241	1 238
Car Allowance	55	84
Acting Allowance	30	-
Contributions to UIF, Medical and Pension Funds	10	73
	336	**1 395**

Remuneration of Director: Rust Rapid Transport

Contributions to UIF, Medical and Pension Funds	-	6
Acting Allowance	41	662
	41	**668**

Total employee related cost	720 419	607 225

32. Remuneration of councillors

Mayor	1 130	1 023
Speaker	847	708
Mayoral Committee Members	7 818	7 438
Chief Whip	585	658
Councillors	38 117	25 097
Company Contributions to UIF, Medical and Pension Funds	5 254	3 726
	53 751	**38 650**

33. Depreciation and amortisation

Property, plant and equipment	405 061	374 742
Investment property	10 311	11 877
Intangible assets	18	108
	415 390	**386 727**

Figures in Rand Thousand	2019	2018

34. Impairment of assets

Impairments		
Property, plant and equipment	2 926	6 512
With the assessments of the usefull life and inspection of the asset conditions impairments were recognised.		
Investment property	445	-
With the assessments of the usefull life and inspection of the asset conditions impairments were recognised.		
Intangible assets	-	370
With the assessments of the usefull life and inspection of the asset conditions impairments were recognised		
Consumer debtors	1 004 166	534 022
Recoverability of receivables from exchange and non-exchange transactions were assessed and provision for impairment were identified.		
Receivables from non-exchange revenue	4 449	9 653
Recoverability of IGRAP receivables were assessed and provision for impairment were identified.		
	1 011 986	**550 557**

35. Finance costs

Employee benefits	12 102	11 347
Finance leases	1 643	884
Loans and Payables at amortised cost	46 631	48 097
	60 376	**60 328**

36. Bulk purchases

Electricity	2 071 179	1 470 502
Water	477 032	430 056
	2 548 211	**1 900 558**

Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom whilst Water is purchased from Rand Water, Rustenburg Water Services Trust and Magalies Water.

37. Contracted services

Training	1 872	4 405
Professional fees	16 783	28 084
Security Services	22 949	19 758
Valuation Services	1 160	502
Other Contractors	243 982	158 401
	286 746	**211 150**

Notes to the Annual Financial Statements

Figures in Rand Thousand	2019	2018

38. General expenses

Advertising	133	849
Auditors remuneration	11 702	8 555
Bank charges	5 373	3 907
Consulting and professional fees	-	2 018
Consumables	8 056	2 089
Entertainment	26	(32)
Legal costs	-	3 225
Hire	3 279	11 312
Insurance	7 167	3 237
Marketing	238	464
Contribution for landfill sites	11 778	9 430
Postage and courier	-	2 721
Printing and stationery	6 400	14 141
Subscriptions and membership fees and levies	176	5 904
Telephone and fax	4 014	4 334
Transport and freight	60 425	10 617
Travelling Subsistance	851	714
Assets written off	5 724	961
Consumption expenditure	2 008	-
License fees	1 326	482
Ward committee	5 237	4 892
Printing of license cards	-	1 825
AVM Online Vending Service	-	11 147
Chemicals	758	935
Other expenses	16 471	31 943
	151 142	**135 670**

The amounts disclosed above for Other Expenses are in respect of costs incurred in the general management of the municipality and not direct attributable to a specific service or class of expense.

39. Fair value adjustments

Other financial assets		
• Other financial assets	24	16

40. Auditors' remuneration

Fees	11 702	8 555

41. Cash generated from operations

(Deficit) surplus	(556 071)	76 433
Adjustments for:		
Depreciation and amortisation	415 390	386 727
Gain on sale of assets	(953)	(4 101)
Fair value adjustments	(24)	(16)
Finance costs	48 274	48 981
Impairment loss	1 011 987	550 557
Movements in operating lease assets	43	48
Movements in employee benefit obligations	6 940	1 288
Movements in provisions	(7 925)	14 319
Changes in working capital:		
Inventory	(11 399)	12 224
Receivables from exchange and non-exchange transactions	(717 539)	(492 161)
Payables from Exchange transactions and other payables	895 411	140 127
	1 084 134	**734 426**

Figures in Rand Thousand 2019 2018

42. Financial instruments disclosure

Categories of financial instruments

2019

Financial assets

	At fair value	At amortised cost	At cost	Total
Receivables from exchange transactions	-	102 837	-	102 837
Receivables from non-exchange transactions	-	13 420	-	13 420
Cash and cash equivalents	512 364	-	-	512 364
Investments	1 037	-	1	1 038
Finance lease receivables	-	2 050	-	2 050
Guarantees	29 421	-	-	29 421
	542 822	**118 307**	**1**	**661 130**

Financial liabilities

	At amortised cost	Total
Other financial liabilities	419 587	419 587
Payables from exchange transactions	1 610 979	1 610 979
Consumer Deposits	49 364	49 364
Finance Lease obligation	12 590	12 590
	2 092 520	**2 092 520**

2018

Financial assets

	At fair value	At amortised cost	At cost	Total
Trade and other receivables from exchange transactions	-	248 853	-	248 853
Receivables from non-exchange transactions	-	49 514	-	49 514
Cash and cash equivalents	117 372	-	-	117 372
Investments	1 197	-	1	1 198
Finance lease receivables	-	2 216	-	2 216
Guarantees	28 846	-	-	28 846
	147 415	**300 583**	**1**	**447 999**

Financial liabilities

	At amortised cost	Total
Other financial liabilities	448 141	448 141
Payables from exchange transactions	965 447	965 447
Consumer deposits	51 631	51 631
Finance lease obligation	19 578	19 578
	1 484 797	**1 484 797**

Notes to the Annual Financial Statements

Figures in Rand Thousand	2019	2018

. Financial instruments disclosure (continued)

Derivative financial instruments and hedging information

Cash and cash equivalents and investments are measured at quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)

Financial Liabilities Maturity Analysis

30 June 2019	< 1 year	1 to 2 years	2 to 5 years	5+ years	Total
Other financial liabilities	33 805	37 530	111 309	236 944	419 587
Payables from exchange transactions	1 610 979	-	-	-	1 610 979
Consumer Deposits	49 364	-	-	-	49 364
Finance lease obligation	7 719	4 871	-	-	12 590
	1 701 867	**42 401**	**111 309**	**236 944**	**2 092 520**

30 June 2018	< 1 year	1 to 2 years	2 to 5 years	5+ years	Total
Other financial liabilities	30 009	33 805	108 885	275 442	448 141
Payables from exchange transactions	965 447	-	-	-	965 447
Consumer Deposits	51 631	-	-	-	51 631
Finance lease obligation	6 988	7 719	4 871	-	19 578
	1 054 075	**41 524**	**113 756**	**275 442**	**1 484 797**

43. Commitments

Commitments in respect of Capital Expenditure

	2019	2018
Already contracted for but not provided for		
• Approved and contracted for	649 946	609 966
Total capital commitments		
Approved and contracted for	649 946	609 966

Figures in Rand Thousand

44. Contingencies

Figures in Rand	2019	2018
Pogiso Bothomane // RLM & Others. Urgent High Court application to set aside the appointment of three directors in that the appointments were irregular.	140	140
Bonakude Consulting (Pty) Ltd. // RLM Case No. 1053/19. Claim for payment in the amount of R8, 757,755.83 for consulting services which were rendered to RLM per the SLA that was concluded.	11 963	11 963
Reonet (Pty) Ltd. T/a Reonet Utility // RLM. Non-payment of services rendered in the amount of R318, 346.20 – Automated meter reading water demand management programme	726	726
Bigen Africa Services (Pty) Ltd // RLM. Claim for non-payment of rendered professional roads and stormwater services rendered at various areas in the amount of R6, 828, 260.87 plus interest on the outstanding amount at 10.25% a tempore morae from 14 November 2018	50	50
Sisters of Charity of St. Paul the Apostle // RLM. Dispute over municipal account and claim for prescription on Account number 1030953 & 122464	1 506	1 506
Eritha Door and Windows / / RLM. Claim against RLM for outstanding amount of R 4 599 502 .06 for Cession agreement concluded with RLM (as subcontractor) of Makgothamishe. The Municipality cancelled the agreement with the main contractor because of poor performance	6 936	6 936
GCF Forklifts and Truck Centre (Pty) Ltd / RLM. Application by GCF for payment of the sum of R787, 423. 95 for services rendered.	1 080	1 080
Mmela Investment Holdings (Pty) Ltd // RLM. Issued summons for claiming damages in the amount of approximately R498m based on the grounds of cancellation of their appointment as per the Bid document.	498 629	498 629
Glencore, Merafe Consolidated Metalogical Industries (Pty) Ltd, Merafe Ferrochrome CMI, Merafe Resources Limited // RLM, Eskom Holding & NERSA. Mediation/ Arbitration regarding the termination of electricity supply agreement with Glencore/ Xstrata. RLM want Glencore to pay as a regular user and Glencore want to contract directly with Eskom.	1 500	1 500
Ian Phillip Muller / RLM. Claim in the amount of R860 000-00 for personal injuries suffered as a result of motor vehicle accident in which the Applicant alleges failure of legal duty by the municipality to keep proper maintenance of the road at or near Watsonia Avenue, Geelhout Park, Rustenburg.	1 231	1 231
Safari Centre (Pty) Ltd // RLM. Application by Safari Centre to compel statement and debatement on accounts and to correct errors.	210	210
Makgosi Consulting CC // RLM. Urgent application to interdict RLM from outsourcing any of the work that falls within the ambit of an electricity and water agreements.	500	500
Vesta//RLM. Court Application by RLM to review the contract as invalid, unlawful and unconstitutional. Various urgent interlocutory applications brought to restore and keep access to Phoenix accounting system.	31 750	31 750
Public Protector // RLM and Fox way & Impala Platinum. Compliant lodged with the Public Protector arising from flooding that occurred as a result of houses being constructed within the 100-year flood line. Litigation by Fox way blaming RLM for wrongly approving flood lines in building plans referred to RLM’s insurers.	250	250
RLM/ Makgotamishe. RLM has instituted summons for payment of the sum of R 12 148 284.65. Expect counterclaim of not less than R31 million.	42 565	42 565
Hennie Motors / RLM. Application for payment of R 1261 407.20 for services rendered. Supply chain management process was not followed in that no order was provided before the work can be done.	1 971	1 971
Frans Lourens Rootman and Another // RLM and Executive Mayor. Claim in the amount of R1m in respect of the alleged Defamation of Character.	1 665	1 665
RLM / IBD Civil Contractors and Training Experts CC. Action against IBD for declaring the sale agreement of land invalid and return of purchase price – High Court – Mafikeng	41 184	41 184
RLM / Mdango Vincent and 21 Others. Eviction proceedings in terms of P.I.E. Act by R.L.M against 20 illegal occupants.	1 670	1 670

Figures in Rand Thousand	2019	2018

44. Contingencies (continued)

Frannerro Property Investment 202 Pty Ltd / Selapo and Rustenburg Municipality and Department of Land and Rural Development. Application for eviction from property known as Waterval Portion 35 , Rustenburg . Root cause Owner evicting unlawful occupiers from his property and requesting the Court to order RLM to provide alternative accommodation to the unlawful occupiers when eviction is granted	699	699
RLM / Novel Enterprises. Application for payment of the outstanding amount of R1 891 900-00 for the supply of water tankers in various areas in Rustenburg.	2 824	2 824
Aquarius Platinum Mine Pty Ltd / Bonene and 170 others. Application for eviction of Employees who were employees at Aquarius Mines. Employees were dismissed on the basis of being involved in an unprotected strike	197	197
Boffin & Fundi (PTY) LTD / RLM. Claim in the amount of R2 641 050-42 in respect of services rendered to conduct audit on all properties within the area of jurisdiction of RLM to reconcile with the billing system of RLM.	3 849	3 849
Aecom SA (Pty) Ltd / RLM. Claim for payment of professional service rendered – Waste disposal transfer station – R6 818 289-20	88 001	88 001
Gabtu Project Management and Construction CC / RLM. Review and setting aside of the tender and claim for damages.	5 038	5 038
Bokaba's Refuse Removal / RLM. Dispute in respect of a claim for cost working days during civil unrest at Lethabong in the amount of R2 336 382-25 against the Engineer's ruling for R236 764-00.	-	500
Eternity Star Investments 231 CC / RLM. Claim in the amount of R1 652 684-36 in respect of the outstanding amount for service rendered in respect of water services at Zinniaville.	826	826
Solly Kgampe / RLM. Review Application	230	230
RLM/ Telkom. Telkom is suing Rustenburg for damaging Telkom's fibre optic cables.	176	176
Itumeleng Lesenyeho Mogakabe // RLM and others. Application for compensation for general damages in the amount of R500 000-00 pursuant to the registration of the Plaintiff's vehicle at the registering authority (Public Safety) after purchasing the vehicle at other respondents. The allegations are to the effect that RLM and other defendants had caused the Plaintiff's Taxi business to no longer operate due to the misrepresentation caused by other defendants which led	920	920
Happy Thoke / RLM. Review Application against the Arbitrator Rescission Ruling	583	583
Telkom SA/RLM (8 CASES). Claim for damages against the RLM	-	18 957
Lesley Molema /RLM. Review Application against the Arbitrator	1 814	1 534
Telkom SA/RLM (8 CASES). Claim for damages against the RLM	190	-
SAMWU obo S.L. More /RLM. Review Application	1 064	1 064
RUS-054/16). Member of the public claims for loss of income in the amount of R85 931.00	-	86
Bogadi Gloria Thekwe and others / Ernst Dinale, RLM and Others. Application for claim of damages in respect of the property known as Erf. 2025 Geelhoutpark Ext 6, which is alleged to have extensive domestic refuse and therefore became unsuitable for residential purposes.	929	929
Waterlink Warehouse (PTY) LTD // RLM – CASE NO: 106/2016. Water link Warehouse (Pty) Ltd had issued Summon against the Defendant (Rustenburg Local Municipality) claiming for outstanding payment of an invoice in the sum of R551 338-36 for the service rendered. The Plaintiff is therefore now claiming the following from the Defendant:	800	800
S.O. Matshidiso Construction & Projects CC / RLM. On 15 March 2016, S.O. Matshidiso Construction issued Summons against Rustenburg Municipality at the Gauteng Local Division claiming the amount of R34 998 485-40. The dispute arises from a service level agreement that was concluded between the parties on 4 October 2013, for, inter alia, the procurement, supply storage and transportation of paraffin stoves to the indigents on behalf of the Defendant.	36 313	36 313
JST Construction CC / RLM. A claim in the amount of R3 166 821-10 in respect of the design and construction: Extension of the CCTV monitoring unit as per BID No.: RLM/DPS/0043/2013/14.	350	350
Sebalo Rebecca Pilane // RLM. Urgent Spoliation application to restore water and electricity at the property known as ERF 1923 Bou- Dorp Rustenburg	300	300

Figures in Rand Thousand	2019	2018
44. Contingencies (continued)		
Eskom Holding SOC LTD // RLM. Rescission Application in respect of judgment granted with costs in respect of eviction at the registered servitude at Portion of Farm 1 Rustenburg Dorp En Dorpsgronde Number 22.	75	75
Crystal Lagoon Investments 43 CC // RLM. Application for a refund in the amount of R383 711.87 that was paid under protest in order to obtain Clearance Certificate.	350	350
PEC Utility Management (Pty) Ltd. // RLM. Dispute over municipal account	1 611	1 198
Geontsi // RLM. A claim in the amount of R3 201 174-26 in respect of the design, construction and monitoring of low-cost housing at Bethanie Phase 2, Mathopestad Phase 2 and Boitekong Ext 8.	21 274	10 087
Dikgele Distributors Services /RLM. Claim for payment for the supply of water tankers to informal settlements supply chain Management processes were not followed during the appointment of Service provider	-	524
Didimalang Gilbert Mokweni // RLM & DPS. Claim in the amount of R13, 800.00 resulting from the impoundment of white Toyota Quantum with registration JCC 145 NW which vehicle is being used to ferry passengers and their personal goods between Boitekong, Meriting and Rustenburg.	52	52
Diphage Maropeng // RLM & M Banda. Claim in the amount of R50, 000.00 in respect of clearance figures of the rates and taxes arrears of the Plaintiff's property. The 2nd Defendant was previously employed by RLM but has since been dismissed because of this misconduct	90	90
Makgosi Consulting CC // RLM. Urgent application to set aside the intended termination of contract and claim for payment of R 12 million for service rendered.	500	500
Linda Jele. Unfair dismissal before the SALG Bargaining Council	627	627
Thabo Maotwe. Unfair dismissal before the SALGBC Bargaining Council	487	487
Obakeng Makgala. Unfair dismissal before the SALG Bargaining Council	487	487
Telkom SA SOC Limited // RLM. Claim for payment in the amount of R254, 997.79 for damaged underground electronic communications facilities at various areas	881	881
Nkululeko Nkomo // RLM. Claim in the amount of R1M for matrimonial loss pursuant to refusal by RLM Security Officer to avail the facility booked for music festival event.	1 813	1 813
JL Mokgatle // RLM. The 2nd Defendant – Mr. Diratsagae – had an accident whilst driving a leased Toyota Hilux Double Cab (bearing registration number HRW 067 NW) around Sun City Pretoria Road. The Plaintiff alleges that the 2nd Defendant was negligent in that he failed to exercise proper care and control of the motor vehicle. Claim in the amount of R122, 817.00	175	175
Thomas Alexander Brough & Others / Rustenburg Local Municipality. Demolishing of structures	-	300
Telkom SA / RLM. Action instituted by Telkom SA for damages in the amount of R16 324 - 49 sustained allegedly due to negligence by employees of RLM in damaging 200PR underground cables for 60M ("telecommunications line") of at Kremetart Avenue, Geelhout Park.	-	100
RLM / George Molefe. Application for restraining order in respect of contravention of the Land Use at the property known as ERF. 940 Unit B Tlhabane.	-	300
RLM / Mr/s E & RGM Masilo. Contravention of land use at Erf. 620 Rustenburg (House No. 4 Oos street – Rustenburg East	-	100
Rolley Mutitese Madala // RLM & Others. Spoliation application to reconnect electricity at the property known as 151A Klopper Street - Rustenburg	-	700
Boikhutso Botho Mogorosi // Executive Mayor Mpho Khunou and Others. Application for interdict against the intention of the Executive Mayor and Others to evict the applicant from the property known as house number 38, Amberboom Crescent.	-	100
Bogadi Gloria Thekwe and Others // Ernest Dinale, RLM and others. Claim for damages in respect of the property known as Erf 2025 Geelhoutpark Ext 6, which is alleged to have extensive domestic refuse and therefore became unsuitable for residential purposes	-	481
Subtotal	819 051	829 129
	819 051	**829 129**

Figures in Rand Thousand 2019 2018

44. Contingencies (continued)

Landfill Sites:

The municipality does not have permits for the following landfill sites:
- Bethanie
- Lethabong
- Marikana
- Monnaka
- Phatsima

The municipality might be fined and penalised for operating unlicensed landfill sites by the Department of Environmental Affairs. However, municipality could not reliably estimate the probable fine that might be incurred as there are no known similar cases against other municipalities.

Contingent assets

Figures in Rand	2019	2018
RLM/ MAKGOTAMISHE. RLM has instituted summons for payment of the sum of R 12 148 284.65. Plaintiff has counterclaim. Summons issued and served upon Makgotamishe, Awaiting notice of intention to defend and counterclaim. Action to proceed in the ordinary course. Matter will proceed and will be complex with expert evidence required	12 148	-
RLM/ KNT. This matter relates to recovery of interest and legal costs in respect of an urgent court application brought by the RLM where there was an error in the transfer of property to the purchaser. The RLM was successful in obtaining a court order for the rectification and retransfer of the property into the name of the RLM.	1 371	-
REONET /RLM ACTION. Action instituted for payment of the sum of R 318 346.20 plus interest plus legal costs for enrichment by the RLM for goods sold and services rendered to the RLM	318	-
RLM/ MUNSOLVE/ ROOTMAN/ ANC/ RLM/ EXECUTIVE MAYOR. Action for damages in respect of alleged defamation.	2 000	-
Subtotal	15 837	-
	15 837	**-**

Figures in Rand Thousand	2019	2018

45. Related parties

Relationships

Controlled entities	Refer to note 7
Members of key management	Refer to note 31 and 32

Related party balances

	2019	2018
Loan accounts - Owing (to) by related parties		
Rustenburg Water Services Trust	2 050	2 216
Amounts included in Trade receivable (Trade Payable) regarding related parties		
Rustenburg Water Services Trust - Water Sales	(181 488)	(132 312)
Rustenburg Water Services Trust - Grant & subsidy	(10 897)	(5 472)
Rustenburg Water Services Trust - IMQS Software	(2 173)	(2 664)

Related party transactions

	2019	2018
Interest paid to (received from) related parties		
Rustenburg Water Services Trust	(240)	(255)
Purchases from (sales to) related parties		
Rustenburg Water Services Trust	119 600	119 294
Rustenburg Water Services Trust - IMQS Software	130	2 337
Transfer payment / Grant & Subsidy paid to (received from) related parties		
Rustenburg Water Services Trust	23 100	35 981
Transfer payment / Grant & Subsidy (conditions met by related party)		
Rustenburg Water Services Trust	(23 100)	(35 981)

The transactions between the Rustenburg Local Municipality and the Rustenburg Water Services Trust is classified as related party transactions. The nature of the realtionship is that Rustenburg Local Municipality is the sole beneficiary of the trust and has the right to appoint 4 representatives on the board of trustees.

46. Prior period errors

Transactions reflected in this note are rounded to thousands.

Figures in Rand Thousand	2019	2018

46. Prior period errors (continued)

The following Prior period error corrections were done for the 2017 financial year:

A decrease in Retained earnings of R45 568, a decrease in Receivables from exchange transactions of R53 606, an increase in Receivables from non exchange transactions of R1 455 and an increase in VAT receivable of R6 583 occurred due to corrections made after year end to accounts due to various reasons which include over and under billing of customer accounts.

An increase in Payables from exchange transactions of R11 951, a decrease in Retained earnings of R11 886 and an increase in VAT receivables of R65 occurred due to exceptions raised last year that were corrected as well as additional items that were identified when the full population of creditors were investigated.

Additional corrections were made to assets due to exceptions raised last year and additional items identified when the full population of assets was investigated. This included amounts that were incorrectly included in WIP that should have been capitalised. The corrections resulted in a decrease in PPE of R323 and a decrease in Retained earnings of R323.

The following Prior period error corrections were done for the 2018 financial year as reflected in below tables:

A decrease in Receivables from exchange transactions of R89 964, a decrease in Service Charges of R78 230 and an increase in VAT receivable of R11 734 occurred due to corrections made after year end to accounts due to various reasons which include over and under billing of customer accounts.

Contingent Liabilities increased by R808 366 due to exceptions raised last year that were investigated and additional items identified when the full population of contingenices were investigated.

Irregular expenditure increased by R505 134 due to exceptions raised last year that were investigated and additional items identified when the full population of payments and contracts were investigated.

An increase in Contracted services of R1 989, an increase in General expenses of R5 128, an increase in Payables from exchange transactions of R8 029 and an increase in VAT receivable of R913 occurred due to exceptions raised last year that were corrected as well as additional items that were identified when the full population of creditors were investigated.

Commitments increased by R277 242 due to exceptions raised last year that were investigated and additional items identified when the full population of payments and contracts were investigated.

Additional corrections were made to assets due to exceptions raised last year and additional items identified when the full population of assets was investigated. This included amounts that were incorrectly included in WIP that should have been capitalised. The corrections resulted in a decrease in PPE of R915 and an increase in Depreciation of R915

Collection Costs were reclassified to General Expenses to improve disclosure. This resulted in an increase in General Expenses of R15 336 and a decrease in Collections costs of R15 336.

The combined effects of the prior period errors are as follows in the AFS - Rounded to R'000:

	Previously reported	Prior period error	Restated amount
Statement of financial position - extract			
Current assets			
Receivables from exchange transactions	392 425	(143 572)	248 853
Receivables from non-exchange transactions	48 059	1 455	49 514
VAT receivable	94 820	19 296	114 116
Non-Current Assets			
Property, Plant and Equipment	8 091 682	1 239	8 090 443
Current liabilities			

Figures in Rand Thousand | 2019 | 2018

46. Prior period errors (continued)

Payables from exchange transactions	945 471	19 976	965 447
Statement of changes in net assets - extract			
Accummulated surplus	7 195 466	(144 036)	7 051 430
Statement of financial performance - extract			
Revenue			
Service charges	2 683 464	(78 230)	2 605 234
Expenditure			
Depreciation and Amortization	385 812	915	386 727
Contracted services	209 162	1 989	211 151
Collection Costs	15 336	(15 336)	0
General expenses	115 207	20 463	135 670

The following analysis indicates the effect of the prior period errors on the effected line items. The effects are shown in the financial periods ended 30 June 2018 and 30 June 2017 respectively:

	2018	2017
Statement of financial position		
Decrease in Retained earnings	-	45 568
Decrease in Receivables from exchange transactions	89 964	53 607
Increase in Receivables from non exchange transactions	-	1 455
Increase in VAT receivable	11 734	6 583
Increase in Payables from exchange transactions	-	11 951
Decrease in Retained earnings	-	11 886
Increase in VAT receivable	-	65
Increase in Payables from exchange transactions	8 029	-
Increase in VAT receivable	913	-
Decrease in PPE	915	323
Decrease in Retained earnings	-	323
Statement of Financial Performance		
Decrease in Service charges	78 230	-
Increase in Contracted services	1 989	-
Increase in General expenses	5 128	-
Increase in Depreciation	915	-
Increase in General Expenses	15 336	-
Decrease in Collection Costs	15 336	-
Notes to the financial statements	-	-
Increase in Contingent Liabilities	808 366	-
Increase in Irregular Expenditure	505 134	-
Increase in Commitments	277 242	-

47. Comparative figures

Certain comparative figures have been reclassified. Mainly due to prior year errors, refer to note above.

Figures in Rand Thousand 2019 2018

48. Risk management

Financial risk management

Capital Risk Management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality’s overall strategy remains unchanged from 2011.

The capital structure of the municipality consists of debt, which includes the Long-term Liabilities disclosed in Note 20, Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 17 and the Statement of Changes in Net Assets.

The capital structure of the municipality consists of debt, which includes Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 17 and the Statement of Changes in Net Assets.

Gearing Ratio's

The gearing ratio at the year-end was as follows:

	2019	2018
Debt	(432 177)	(467 719)
Cash and Cash Equivalents	512 364	117 372
Subtotal	80 187	(350 347)
	80 187	**(350 347)**

Debt is defined as Long and Short-term Loans and Finance Lease Obligations.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

Financial Risk Management Objectives

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

The municipality’s Finance department provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the municipality through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

Figures in Rand Thousand	2019	2018

48. Risk management (continued)

The Department of Finance monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Risk management policies and systems are reviewed regularly to reflect changes to market conditions and the municipality's activities, and compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality’s audit committee, an independent body that monitors the effectiveness of the internal audit function.

Significant Risks

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

The municipality has exposure to the following risks from its operations in Financial Instruments:
- Credit Risk;
- Liquidity Risk; and
- Market Risk.

Risks and exposures are disclosed as follows:

Market Risk
The municipality’s activities expose it primarily to the financial risks of changes in interest rates. No formal policy exists to hedge volatilities in the interest rate market.
.
Liquidity Risk
Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality’s approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality’s reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

48. Risk management (continued)

Credit risk

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality’s exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of fixed deposit investments, long-term receivables, other debtors, bank and cash balances.

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Investments/Bank, Cash and Cash Equivalents

Refer to http://www.fidfund.co.za/banking-options/bank-credit-ratings/ for the most updated ratings.

The municipality limits its counterparty exposures from its short-term investments (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions short term credit rating of BBB and long-term credit rating of AA- and higher at an International accredited credit rating agency. The municipality's exposure is continuously monitored and the aggregate value of transactions concluded is spread amongst different types of approved investments and institutions, in accordance with it's investment policy. Consequently, the municipality is not exposure to any significant credit risk.

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy. These limits are reviewed annually by the Chief Financial Officer and authorised by the Council.

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Trade and Other Receivables

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an on-going basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.

Trade Receivables consist of a large number of customers, spread across diverse industries in the geographical area of the municipality. Periodic credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee is increased accordingly.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas within the jurisdiction of the municipality. On-going credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of a provision for impairment.

Figures in Rand Thousand | 2019 | 2018

48. Risk management (continued)

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

- The application of section 118(3) of the Municipal Systems Act (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property;
- A new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount;
- The consolidation of rates and service accounts, enabling the disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA;
- The requirement of a deposit for new service connections, serving as guarantee and are reviewed annually;
- Encouraging residents to install water management devices that control water flow to households, and/or prepaid electricity meters.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk did not exceed 5% of gross monetary assets at any time during the year. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	**2019**	**2018**
Finance Lease Receivables	2 050	2 216
Receivables from exchange transactions	102 837	392 425
Receivables from non-exchange transactions	13 420	48 059
Cash and cash equivalents	512 364	117 372
Investments	1 038	1 198
Guarantees	29 421	28 846

Market risk

Figures in Rand Thousand 2019 2018

Notes to the Annual Financial Statements

48. Risk management (continued)

Detail

The municipality’s activities expose it primarily to the financial risks of changes in interest rates. No formal policy exists to hedge volatilities in the interest rate market.
- interest rate swaps to mitigate the risk of rising interest rates.

Market risk exposures are measured using value-at-risk (VaR) and are supplemented by sensitivity analysis.

The municipality’s activities expose it primarily to the financial risks of changes in interest rates. No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the municipality’s exposure to market risks or the manner in which it manages and measures the risk.

Note that no interest paid are linked to prime and therefore no impact on the sensitive analysis for interest paid.

Sensitivity analysis for financial instruments 2019

Interest received for the year: -2%	238 312	(59 578)	Decrease in net surplus
Interest received for the year	297 890	-	
Interest received for the year: +2%	357 468	59 578	Increase in net surplus

Note that no interest paid are linked to prime and therefore no impact on the sensitive analysis for interest paid.

Sensitivity analysis for financial instruments 2018

Interest received for the year: -2%	10 478	(2 619)	Decrease in net surplus
Interest received for the year	13 097	-	
Interest received for the year: +2%	15 716	2 619	Increase in net surplus

48. Risk management (continued)

Interest rate risk

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Financial Assets and Liabilities that are sensitive to interest rate risk are cash and cash equivalents, investments, and loan payables. The municipality is not exposed to interest rate risk on these financial instruments as the rates applicable are fixed interest rates.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, other debtors, bank and cash balances.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. No investment with a tenure exceeding twelve months shall be made.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer Deposits are increased accordingly.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality is not exposed to interest rate risk as the municipality borrows funds at fixed interest rates.

The municipality’s exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

Foreign exchange risk

The municipality undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

The municipality’s activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

Price risk

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

49. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Notes to the Annual Financial Statements

Figures in Rand Thousand	2019	2018

50. Events after the reporting date

No material events occurred with respect to the 2018/19 financial year end after the date of the statement of financial position in respect of loans, investments and any other aspects.

51. Unauthorised expenditure

Opening Balance	1 029 199	991 580
Unauthorised Expenditure current year	1 036 181	65 375
	-	-
Authorised during the financial year	-	(27 756)
	2 065 380	**1 029 199**

Unauthorised Expenditure occurred mostly as a result of debt impariment being higher than anticipated when assessing the collectability of debtors.

Unauthorised expenditure for the current year relates to the following expenditure departments:

	-	-
Vote 2 - MUNICIPAL MANAGER	20 206	65 375
Vote 4 - BUDGET AND TREASURY	25 357	-
Vote 9 - TECHNICAL AND INFRASTRUCTURE	990 618	-
	-	-
	1 036 181	**65 375**

52. Fruitless and wasteful expenditure

	-	-
Opening Balance	2 172	1 921
Expenditure incurred during the year	6 820	251
	-	-
	8 992	**2 172**

Expenditure incurred during the year resulted from interest paid on late payments of suppliers and court orders to the value of R6 820.

Notes to the Annual Financial Statements

Figures in Rand Thousand				2019	2018

53. Irregular expenditure

Reconciliation of irregular expenditure

Opening balance		-	-	4 716 341	3 820 585
Additional irregular expenditure identified		-	-	148 342	505 134
Irregular expenditure incurred during the year	-	-	-	266 298	407 688
Amounts investigated found not irregular/value for money received		-	-	-	(17 066)
		-	**-**	**5 130 981**	**4 716 341**

Analysis of irregular expenditure incurred current year - by nature

Procurement process not followed for legacy contracts		-	-	252 557	3 334
Proper procurement process not followed		-	-	13 741	403 486
Contract exceeded the appointment/variation amount		-	-	-	868
	-	**-**	**-**	**266 298**	**407 688**

Analysis of irregular expenditure incurred - By timing

Origin of irregular expenditure - Pre and including 2014/2015		-	-	66 697	48 335
Origin of irregular expenditure - 2015/2016		-	-	115 479	212 401
Origin of irregular expenditure - 2016/2017		-	-	26 594	55 047
Origin of irregular expenditure - 2017/2018		-	-	42 358	91 905
Origin of irregular expenditure - 2018/2019		-	-	15 170	-
	-	**-**	**-**	**266 298**	**407 688**

Amounts investigated found not irregular/value for money received. During the previous financial year, a total number of 41contracts with a total value of R1 432 095 (exclusive of VAT) was subjected to an investigation and consequence management review process. These contracts relates to procurement contracts entered into prior and including 2014/2015 financial years. The below indicate the results from this process:

Total rand value (41 contracts) reviewed for consequence management	-	-	-	-	1 432 095
Total rand value (32 contracts) still irregular expenditure, identified individuals in the value change and matters referred to Disciplinary Committee and MPAC	-	-	-	-	(299 513)
Total rand value (1 contracts) difference of value for money received still irregular referred to Disciplinary Committee and MPAC	-	-	-	-	(4 421)
Total rand value (8 contracts) contract not irregular but overspending on contract referred to Disciplinary Committee and MPAC	-	-	-	-	(99 524)
Prior Period Error - Adjustment to prior year opening balance for pre 2016/17 amounts found to be not irregular	-	-	-	-	(1 011 571)
Total rand value removed from irregular register as found to be not irregular	**-**	**-**	**-**	**-**	**17 066**

Irregular expenditure identified during the current year is undergoing the processs of being subjected to investigation. Full details are available in the irregular expenditure register

54. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

	2019	2018
Current year subscription / fee	157	5 927
Amount paid - current year	(157)	(5 927)
	-	-

Figures in Rand Thousand

54. Additional disclosure in terms of Municipal Finance Management Act (continued)

Bulk Electricity and Water Losses in terms of Section 125 (2)(d)(i) of the MFMA

Material Electricity and Water losses were as follows and are not recoverable:

Electricity	Units (kWh)	Units (kWh)
Purchased during the year	2 120 351	1 988 590
Sold during the year	(1 811 049)	(1 829 552)
Unaccounted - Normal distribution losses - % of electricity (2019 - 14,59%); (2018 - 8,07%)	309 302	159 038
Loss (R): At Cost	**263 228**	**143 647**

Electricity losses occur due to inter alia, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal electricity connections. The problem with tampered meters and illegal connections is an on-going process, with regular action being taken against defaulters. Faulty meters are replaced as sooon as they are reported.

Water	Units (kl)	Units (kl)
Purchased during the year	40 621	41 010
Sold during the year	(20 695)	(24 093)
Unaccounted - Normal distribution losses - % of water (2019 - 49,05%); (2018 - 41,25%)	19 926	16 917
Loss (R): At Cost	**176 558**	**139 158**

Water losses occur due to inter alia, leakages, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal water connections. The problem with tampered meters and illegal connections is an on-going process, with regular action being taken against defaulters. Faulty meters and leakages are replaced / repaired as soon as they are reported.

Audit fees

Opening balance	189	157
Current year subscription / fee	11 702	8 555
Amount paid - current year	(11 204)	(8 523)
	687	**189**

PAYE and UIF

Current year subscription / fee	105 279	83 471
Amount paid - current year	(105 279)	(83 471)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	121 637	111 883
Amount paid - current year	(121 637)	(111 883)
	-	-

Figures in Rand Thousand 2019 2018

Notes to the Annual Financial Statements

54. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2019:

30 June 2019	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Clr Mokwele P	-	1	1
Clr Du Plessis G J	2	-	2
Clr Molotsi CN	1	-	1
Clr Malinga M	6	39	45
Clr Bothomane	4	97	101
Clr Radebe MW	1	-	1
Clr Ngwato JD	5	-	5
Clr Matlhoko AM	1	-	1
Clr Mataboge AL	1	-	1
Clr Nkosi LM	9	293	302
Clr Tsamai A	1	-	1
Clr Nkgoang LI	1	-	1
Clr Mataboge AL	1	-	1
Clr Mokotedi KG	1	-	1
Clr Mhlungu SBM	1	-	1
Clr Khunou ME	5	-	5
Clr Coetzee M & MJ	2	-	2
Clr Edwards I	2	-	2
Clr Nel D	4	-	4
Clr Mohube MM	1	-	1
Clr Khunou ME	1	-	1
Clr Motlhamme GS	1	-	1
Clr Wolmarans SD	2	-	2
Clr Babe NB	2	-	2
Clr Magadane GL	1	36	37
Clr Molubi JN	1	-	1
	57	**466**	**523**

30 June 2018	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Clr Du Plessis GJ & G	2	-	2
Clr Molotsi KS	3	-	3
Clr Malinga F	4	72	76
Clr Radebe	3	22	25
Clr Bothomane P	3	26	29
Clr Fetmani	2	-	2
Clr Pelesi KL	3	39	42
Clr Ngwato JD	2	3	5
Clr Matlhoko AM	1	14	15
Clr Molubi JN	3	-	3
Clr Mokotedi KG	3	-	3
Clr Mokwele P	5	-	5
Clr Molhamme	1	-	1
Clr Legopelo JB	1	2	3
Clr Khunou ME	1	-	1
Clr Mataboge AL	3	2	5
Clr Miny CFM	1	-	1
Clr Nkosi LM	7	302	309

Figures in Rand Thousand		2019	2018

54. Additional disclosure in terms of Municipal Finance Management Act (continued)

Clr Mataboge GM	6	-	6
Clr Tsamai A	1	-	1
Clr Nkgoang LI	6	17	23
Clr Mataboge AL	2	-	2
Clr Mhlungu SBM	1	-	1
Clr Khunou ME	1	-	1
Clr Wolmarans SD	3	-	3
Clr Coetzee M & MJ	2	-	2
Clr Edwards I	1	-	1
Clr Nel D	1	-	1
Clr Mohube MM	1	-	1
Clr Babe NB	5	5	10
	78	**504**	**582**

55. Budget differences

Material differences between budget and actual amounts

All variances occurred as a result of over / under provision of estimates during the budgeting process.

Basis of preparation and presentation of budget

The budget is prepared on the accrual basis of accounting and the classification format adopted is consistent with that of the financial statements. The period of the budget is 01 July 2018 to 30 June 2019.

Changes from the approved budget to the final budget

The changes between the approved and final budget are a consequence of changes in the overall budget parameters. All changes occurred due to over / under provision of estimates during the original budgeting process

Financial Performance	Original Budget	Adjustments	Adjusted Budget
Property rates	340 075	-	340 075
Service charges	2 832 432	(10 000)	2 822 432
Rental of facilities and equipment	254	-	254
Interest received - other	6 593	-	6 593
Interest received (trading)	19 569	-	19 569
Dividends received	250 278	-	250 278
Fines, penalties and forfeits	17 748	(10 000)	7 748
Licences and Permits	9 653	-	9 653
Agency services	131 944	-	131 944
Government Grants and Subsidies Received	1 210 159	163 295	1 373 453
Other income	141 845	(10 000)	131 845
Gains on disposal of assets	117 080	(52 390)	64 690
Total revenue	**5 077 630**	**80 905**	**5 158 535**
Employee related costs	689 646	-	689 646
Remuneration of councillors	56 614	-	56 614
Impairment losses	539 436	-	539 436
Depreciation and Amortization	410 133	-	410 133
Finance charges	86 507	(56 613)	29 894
Bulk purchases	2 008 835	-	2 008 835
Repairs and Maintenance	244 627	-	244 627
Contracted services	315 325	90 321	405 645
Transfers and subsidies	16 938	-	16 938
General expenses	242 538	15 000	257 538
Total Expenditure	**4 610 597**	**48 708**	**4 659 305**
Surplus / (Deficit) for the year	**467 032**	**32 197**	**499 230**
	-	-	-